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Accounting Trends & Techniques 1995—FORTY-NINTH EDITION AICPA

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1995
FORTY-NINTH EDITION

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA

1995
FORTY-NINTH EDITION

Accounting Trends & Techniques

Forty-ninth annual cumulative survey of the accounting aspects of the annual reports of 600 industrial, merchandising, and service 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, 1995.

Edited by
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Richard Rikert
Coordinator–Editor

AMERICAN

INSTITUTE OF

CERTIFIED

PUBLIC

ACCOUNTANTS

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

PREFACE

Accounting Trends & Techniques—1995, Forty-ninth 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, merchandising, and service companies for fiscal periods ending between February 25, 1994 and February 2, 1995.

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 Three, 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. 360 of the companies were listed in the fortieth (1986) edition and each retained the number assigned in that edition. The other 240 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 840 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 acknowledgment 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

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1994	1993
Advertising	2	1
Aerospace	20	22
Apparel, shoes	17	16
Beverages	6	6
Building materials, glass	14	13
Chemicals	34	35
Computer and data services	5	4
Computers, office equipment	24	23
Electronics, electrical equipment	55	57
Engineering, construction	6	5
Entertainment	5	5
Food	39	40
Forest and paper products	30	29
Furniture	7	7
Hotels, casinos	3	3
Industrial and farm equipment	44	43
Metal products	23	23
Metals	24	25
Mining, crude oil production	13	13
Motor vehicles and parts	25	25
Petroleum refining	23	23
Pharmaceuticals	13	15
Publishing, printing	20	20
Retailing–grocery stores	10	10
Retailing–other stores	17	17
Rubber and plastic products	11	11
Scientific, photographic, and control equipment	34	34
Soaps, cosmetics	8	9
Textiles	13	11
Tobacco	6	6
Transportation equipment	4	4
Waste management	3	3
Wholesalers	16	16
Not otherwise classified	26	26
Total Companies	**600**	**600**

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

COMPANIES SELECTED FOR SURVEY

All 600 companies included in the survey are registered with the Securities and Exchange Commission. Many of the survey companies have securities traded on one of the major stock exchanges—78% on the New York and 6% 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 1-2: REVENUE OF SURVEY COMPANIES

	1994	1993	1992	1991
Less than $100,000,000	38	42	44	51
Between $100,000,000 and $500,000,000	101	100	106	103
Between $500,000,000 and $1,000,000,000	77	77	80	83
Between $1,000,000,000 and $2,000,000,000	116	130	120	123
More than $2,000,000,000	268	251	250	240
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. The item 8 examples include examples of the complete discussion and analysis and excerpts of prospective information. Examples of segment information disclosures are presented on pages 17-28.

Quarterly Financial Data

AT&T CORP. (DEC)

NOTES TO FINANCIAL STATEMENTS

22. Quarterly Information (Unaudited)

	Quarter			
Dollars in millions (except per share amounts)	First	Second	Third	Fourth
1994				
Total revenues	$17,097	$18,238	$18,649	$21,110
Gross margin	6,967	7,406	7,765	8,639
Net income	1,074	1,248	1,050	1,338
Per common share:				
Net income	.69	.80	.67	.85
Dividends declared	.33	.33	.33	.33
Stock price*:				
High	57 1/8	57 1/8	55 7/8	55 1/4
Low	50 5/8	49 1/2	52 1/2	47 1/4
Quarter-end close	51 1/4	53 3/8	54	50 1/4

1993				
Total revenues	$16,199	$16,857	$17,225	$19,070
Gross margin	6,491	6,785	6,941	7,499
Income before cumulative effects of accounting changes	922	982	1,022	776
Net income (loss)	(8,686)	982	1,022	776
Per common share:				
Income before cumulative effects of accounting changes	.60	.64	.66	.50
Net income (loss)	(5.65)	.64	.66	.50
Dividends declared	.33	.33	.33	.33
Stock price*:				
High	59 1/8	63 7/8	65	61 3/8
Low	50 1/8	53 3/4	57 3/8	52
Quarter-end close	56 3/4	63	58 7/8	52 1/2

* Stock prices obtained from the Composite Tape.

The number of weighted average shares outstanding increases as we issue new common shares for employee plans, shareowner plans and other purposes. For this reason, the sum of quarterly earnings per common share may not be the same as earnings per common share for the year, and the per share effects of unusual items in a quarter may differ from the per share effects of those same items for the year.

In the third quarter of 1994, we recorded $227 million of costs ($169 million net of taxes) related to the McCaw merger primarily consisting of legal and investment banking fees and bonus pool funding.

In the second quarter of 1993, we recorded $278 million in provisions for business restructuring activities. The effect of these provisions was offset by the $217 million gain from selling UNIX System Laboratories, Inc. and other miscellaneous credits. In the fourth quarter of 1993, we recorded a $190 million provision for business restructuring at AT&T Global Information Solutions Company, which reduced net income by $119 million ($0.08 per share).

THE BLACK & DECKER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20: Quarterly Results (Unaudited)

(Millions of Dollars Except Per Share Data)	Quarter			
Year ended December 31, 1994	First	Second	Third	Fourth
Total revenues	$1,084.6	$1,221.2	$1,323.4	$1,619.1
Gross margin	370.7	421.3	447.2	561.5
Net earnings	14.6	23.0	29.3	60.5
Net earnings per common share	.14	.24	.31	.68
Year Ended December 31, 1993				
Total revenues	$1,099.9	$1,155.9	$1,189.6	$1,436.8
Gross margin	379.9	397.6	385.0	487.2
Earnings before cumulative effect of change in accounting principle	13.9	19.5	19.5	42.3
Net Earnings (loss)	(15.3)	19.5	19.5	42.3
Per common share information:				
Earnings before cumulative effect of change in accounting principle	.13	.20	.20	.47
Net earnings (loss)	(.22)	.20	.20	.47

The results for the first quarter of 1993 included a charge for the cumulative effect of adopting SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective as of January 1, 1993, in the amount of $29.2 million or $.35 per common share. The fourth quarter of 1993 included the gain on sale of Dynapert and Corbin Russwin, substantially offset by the charge for plant closures and reorganizations.

The three-month period ended July 4, 1993, included a tax benefit of $1.4 million reflective of the cumulative year-to-date adjustment of the effective tax rate that resulted from a change in the mix between foreign and domestic earnings, primarily due to increased operating income and lower interest expense in the United States.

Earnings per common share calculations for each of the quarters were based on the weighted average number of shares outstanding for each period, and the sum of the quarters may not necessarily be equal to the full year earnings per common share amount.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Financial Information by Quarter (Unaudited)

The following table presents the quarterly information for fiscal 1994 and 1993:

	Quarter			
(In millions, except per share amounts)	First	Second	Third	Fourth
1994				
Net sales	$558.9	$582.4	$544.7	$609.4
Gross margin	$228.3	$243.5	$228.4	$258.9
Net income	$ 57.1	$ 60.7	$ 63.8	$ 82.4
Primary earnings per common share before cumulative effect of accounting change	$ 0.39	$ 0.46	$ 0.48	$ 0.63
Cumulative effect of accounting change	0.04	—	—	—
Primary earnings per common share	$ 0.43	$ 0.46	$ 0.48	$ 0.63
Weighted average common and common equivalent shares outstanding	119.5	120.1	120.8	126.0
Fully diluted earnings per share before cumulative effect of accounting change	$ 0.37	$ 0.43	$ 0.45	$ 0.58
Cumulative effect of accounting change	0.04	—	—	—
Fully diluted earnings per common share	$ 0.41	$ 0.43	$ 0.45	$ 0.58
Weighted average fully diluted shares	140.4	140.6	141.7	143.0
Common stock price – high	$19.50	$21.75	$21.88	$25.00
Common stock price – low	$14.38	$15.00	$14.38	$16.75
1993				
Net sales	$472.4	$491.9	$491.5	$557.9
Gross margin	164.7	167.2	173.8	209.7
Net income	21.9	35.3	26.9	46.2
Primary earnings per common share	$ 0.17	$ 0.27	$ 0.19	$ 0.35
Weighted average common and common equivalent shares outstanding	114.8	116.0	115.6	117.6
Fully diluted earnings per share	$ 0.17	$ 0.27	$ 0.19	$ 0.33
Weighted average fully diluted shares	114.8	116.0	115.6	138.6
Common stock price – high	$11.75	$14.13	$13.63	$15.00
Common stock price – low	8.50	9.88	10.13	10.63

Fiscal 1994 results of operations include patent licensing income of $15.9 million, of which $1.4 million, $0.7 million, $5.3 million, and $8.5 million were included in the first, second, third and fourth quarters, respectively. Fiscal 1994 results of operations also include centralization costs for the sales distribution facilities of $10.1 million, primarily recorded in the first and second quarters. In addition, included in the second quarter was a $2.2 million gain on the sale of a minority investment, and included in the fourth quarter was a $2.6 million favorable restructuring adjustment (see Note 2).

Fiscal 1993 results of operations include patent licensing income of $43.7 million, of which $31.7 million, $8.3 million, and $3.7 million were included in the second, third and fourth quarters, respectively. Fiscal 1993 results of operations also include centralization costs for the sales distribution facilities of $10.1 million, primarily recorded in the second quarter. Fiscal 1993 results of operations include $11.9 million of legal fees incurred on the tax case (see Note 6), of which $1.5 million, $4.5 million, $3.2 million, and $2.7 million were incurred in the first, second, third and fourth quarters, respectively. Also included in the third quarter of fiscal 1993 was a $4.7 million write down of a minority investment.

Preferred dividends are reflected as adjustments to reported earnings in the calculation of primary earnings per share.

The Company's common stock is traded on the New York Stock Exchange and the Pacific Stock Exchange. The quoted market prices are as reported on the New York Stock Exchange Composite Tape. At May 29, 1994, there were approximately 13,073 holders of the Company's common stock.

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for 1994 and 1993 (dollars in thousands, except per share data):

	Quarter Ended				
1994	March 31	June 30	September 30	December 31	Full Year
Net sales	$61,785	$65,681	$58,400	$63,138	$249,004
Gross margin	22,565	25,009	21,803	23,989	93,366
Income from continuing operations	7,392	10,286	7,366	17,402	42,446
Net income	7,392	10,286	7,366	17,402	42,446
Earnings per common share:					
Primary and fully-diluted:					
Continuing operations	.40	.56	.40	.94	2.31
Net income	.40	.56	.40	.94	2.31

1993	March 31	June 30	September 30	December 31	Full Year
Net sales	$59,223	$58,223	$51,578	$50,538	$219,562
Gross margin	19,131	19,792	18,395	17,538	74,856
Income from continuing operations	5,015	5,565	6,450	9,630	26,660
Net income	5,015	5,565	6,450	9,630	26,660
Earnings per common share:					
Primary:					
Continuing operations	.28	.31	.35	.53	1.47
Net income	.28	.31	.35	.53	1.47
Fully-diluted:					
Continuing operations	.28	.30	.35	.53	1.47
Net income	.28	.30	.35	.53	1.47

Continuing Operations

Fourth Quarter — 1994

The Company recognized an income tax benefit of $14,000,000 resulting from an adjustment to its deferred income tax valuation allowance in accordance with FAS 109. This benefit caused minority interest in net income of subsidiaries to increase $3,200,000.

The Comapny recognized a restructuring charge of $2,000,000 relating primarily to vacated facilities.

Second Quarter — 1994

The Company recorded a gain of $900,000 resulting from a state income tax law change.

Fourth Quarter — 1993

The Company recognized an income tax benefit of $6,000,000 resulting from an adjustment to its deferred income tax valuation allowance in accordance with FAS 109. This benefit caused minority interest in net income of subsidiaries to increase $1,600,000.

Third Quarter — 1993

The Company recognized a gain of $3,878,000 resulting from an Internal Revenue Service refund relating to the settlement of a tax dispute.

The company recognized a restructuring charge of $2,900,000 to cover the costs associated with reorganizing its Mexican manufacturing operations, consolidating certain U.S. operations, and certain other overhead reductions.

Selected Information For Five Years

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share figures)	Fiscal 1993 (52 weeks)	Fiscal 1992 (52 weeks)	Fiscal 1991 (52 weeks)	Fiscal 1990 (52 weeks)	Fiscal 1989 (52 weeks)
Operating Results					
Sales	$10,384,077	$10,499,465	$11,590,991	$11,390,943	$11,147,997
Income (loss) before cumulative effect	3,959	(98,501)	70,664	150,954	146,698
Cumulative effect on prior years of changes in accounting principles:					
Income taxes	—	(64,500)	—	—	—
Postretirement benefits	—	(26,500)	—	—	—
Net income (loss)	3,959	(189,501)	70,664	150,954	146,698
Per Share Data					
Income (loss) before cumulative effect	.10	(2.58)	1.85	3.95	3.84
Cumulative effect on prior years of changes in accounting principles:					
Income taxes	—	(1.69)	—	—	—
Postretirement benefits	—	(.69)	—	—	—
Net income (loss)	.10	(4.96)	1.85	3.95	3.84
Cash dividends	.80	.80	.80	.775	.675
Financial Position					
Current assets	1,230,339	1,221,492	1,255,908	1,319,894	1,211,592
Current liabilities	1,151,132	1,164,723	1,082,042	1,203,643	1,131,411
Working capital	79,207	56,769	173,866	116,251	80,181
Current ratio	1.07	1.05	1.16	1.10	1.07
Total assets	3,098,695	3,090,930	3,293,267	3,415,045	2,967,297
Long-term debt	544,399	414,301	486,129	532,510	329,286
Capital lease obligations	162,866	182,066	206,003	220,892	233,564
Equity					
Shareholders' equity	994,417	1,034,330	1,253,106	1,221,270	1,092,164
Book value per share	26.02	27.06	32.79	31.96	28.59
Weighted average shares outstanding	38,220,000	38,219,000	38,211,000	38,206,000	38,198,000
Number of registered shareholders	11,831	12,309	12,871	14,210	15,045
Other					
Number of employees	94,000	90,000	94,600	99,300	91,000
Number of stores at year end	1,173	1,193	1,238	1,275	1,215
Total store area (square feet)	37,908,000	37,741,000	38,742,000	39,353,000	36,369,000

THE PERKIN-ELMER CORPORATION

SELECTED FINANCIAL DATA

(Dollar amounts in thousands except per share amounts) *For the years ended*	June 30, 1994 (a)	June 30, 1993 (b)	July 31, 1992 (c)	July 31, 1991 (d)	July 31, 1990
Financial Operations					
Net revenues	$1,024,467	$1,011,297	$970,054	$893,499	$849,005
Operating costs and expenses	928,451	967,836	907,490	892,174	796,625
Operating income	96,016	43,461	62,564	1,325	52,380
Income (loss) before income taxes	89,132	43,929	49,283	(10,389)	41,713
Income (loss) from continuing operations	73,978	24,444	24,296	(16,384)	27,697
Cumulative effect on prior years of changes in accounting principles (net of income taxes)		(83,098)			
Net income (loss)	51,127	(56,940)	35,237	(18,404)	48,610
Income (loss) per share from continuing operations	1.66	.54	.54	(.39)	.56
Loss per share from cumulative effect on prior years of changes in accounting principles		(1.85)			
Net income (loss) per share	1.14	(1.27)	.79	(.44)	.98
Financial Position					
Working capital	$136,400	$100,929	$140,456	$116,802	$162,514
Property, plant and equipment, at cost	329,076	352,767	362,840	351,607	324,562
Total assets	884,500	851,070	948,953	898,248	923,067
Long-term debt	34,270	7,069	67,011	65,881	65,356
Shareholders' equity	290,432	306,605	429,007	411,034	448,919
Other Data					
Orders	$1,048,350	$995,379	$983,568	$914,409	$855,079
Dividends per share	.68	.68	.68	.68	.68
Average common shares including equivalents where dilutive (in thousands)	44,673	44,953	44,695	42,091	49,835
Shareholders	9,115	9,728	10,483	11,487	13,079
Employees	5,954	6,563	6,632	6,797	6,996

(a) Includes a $22.9 million after-tax charge for discontinued operations (see Note 2).

(b) Includes $41.0 million in one-time charges in connection with the merger with ABI and an $83.1 million charge representing the cumulative effect of adopting SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS 112, "Employers' Accounting for Postemployment Benefits" and SFAS 109, "Accounting for Income Taxes." Prior years were not restated for SFAS 106, 112 or 109 (see Notes 2, 4 and 5).

(c) Includes $22.0 million in charges related to product line discontinuance and facility relocation, as well as a $3.3 million gain on the sale of a joint venture (see Notes 2 and 10).

(d) Includes a $50.2 million charge related to the consolidation of manufacturing, engineering and marketing functions worldwide.

SPS TECHNOLOGIES, INC. (DEC)

SELECTED FINANCIAL DATA

(Thousands of dollars except per share data)	1994	1993	1992	1991	1990
Net sales	$348,905	$319,094	$359,431	$408,499	$440,996
Earnings (loss) from continuing operations	3,200	(30,995)	(7,009)	5,612	(9,961)
Discontinued operations —					
Estimated gain (loss) on disposal				990	(1,500)
Cumulative effect of changes in accounting policies			(13,400)		
Net earnings (loss)	3,200	(30,995)	(20,409)	6,602	(11,461)
Total assets	289,246	285,979	295,608	318,323	368,896
Long-term debt	56,426	81,828	63,321	61,110	91,325
Property, plant and equipment additions	17,615	12,248	11,555	11,118	19,440
Per Share Data:					
Earnings (loss) from continuing operations	.62	(6.07)	(1.37)	1.10	(1.98)
Discontinued operation —					
Estimated gain (loss) on disposal				.20	(.30)
Cumulative effect of changes in accounting policies			(2.63)		
Net earnings (loss)	.62	(6.07)	(4.00)	1.30	(2.28)
Cash dividends		.96	1.28	1.28	1.28
Shareholders' equity	24.18	20.14	27.98	35.34	35.78

Results for 1994, 1993 and 1992 include a net restructuring charge of $3,500, $32,400 and $6,800, respectively. See Note 3 to consolidated financial statements.

The Company changed its accounting policies, effective January 1, 1992, to accrue for postretirement benefits other than pensions and account for deferred income taxes under the asset and liability method. See Note 2 to consolidated financial statements.

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

AEL INDUSTRIES, INC. (FEB)

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

The following discussion and analysis provide information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Results of Operations — Fiscal 1994 versus Fiscal 1993
Sales and service revenues of $123,632,000 reflect an increase of 9% from the $113,132,000 in revenues reported for fiscal year 1993. The revenue increase was primarily attributable to the avionics installation/integration programs which generated revenues of $41,307,000 in fiscal year 1994 compared with revenues of $32,732,000 in fiscal year 1993. The Company's ANVIS/HUD avionics program individually produced revenues of $10,285,000 in 1994 versus $4,262,000 in 1993. In addition to the avionics programs, revenues from radar warning receiver programs increased $3,357,000 in the current year, primarily due to the AN/APR-39A program revenues of $10,352,000 which were approximately double the revenues reported in fiscal year 1993. Partially offsetting the revenue growths in the avionics and receiver programs was a decline in revenues from the electronic countermeasures program group in fiscal year 1994. Within the countermeasures group, the TACJAM-A program contributed revenues of $6,615,000 in fiscal year 1994, down from $12,996,000 in fiscal year 1993. However, the Band 9/10 program, another major electronic countermeasures program, increased its contribution to revenues by $2,656,000 in 1994, and revenues from a major electronic countermeasures program with a foreign government also increased by $2,012,000 in the current year.

Operating income for fiscal year 1994 was $3,742,000 as compared with $2,143,000 for fiscal year 1993. The increase in operating income was primarily due to the

current year's growth in sales and service revenues, a reduction in administrative and selling expenses, and significantly less costs in fiscal year 1994 associated with restructuring, corporate downsizing, and consolidation of resources. The administrative and selling expenses reduction reflects the Company's continuing efforts to contain costs in those areas, as well as a one-time curtailment gain of $381,000 related to a supplemental retirement benefit plan for a former executive officer. Partially offsetting these favorable items, operating income in fiscal year 1994 was adversely impacted by an increase in bid and proposal spending, as well as contract cost estimate and profitability adjustments, which in the aggregate had an unfavorable effect of $3,900,000 in fiscal year 1994 as compared with $2,500,000 in fiscal year 1993. Revisions to the estimated final costs on several engineering development programs resulted in contract loss provisions in fiscal year 1994 which were $3,100,000 above comparable provisions for those programs in fiscal year 1993. Conversely, a profitability adjustment to the AN/MLQ-34 TACJAM program, resulting from a prolonged contract modification negotiation, produced a favorable impact of $1,800,000 on operating income in fiscal year 1994 with no comparable adjustments in fiscal year 1993. Bid and proposal costs increased $922,000 in fiscal year 1994 reflecting the Company's increased bidding activity for a major aircraft modification program and development programs associated with long-term production contracts. Finally, company-sponsored research and development spending decreased $339,000 in fiscal year 1994 due to the Company's re-allocation of available technical resources, including personnel, to customer-sponsored engineering development efforts, including the development programs referenced above. Company-sponsored research and development spending is expected to resume its upward trend in fiscal year 1995.

Interest expense in fiscal year 1994 decreased $699,000 from fiscal year 1993 primarily due to lower average debt levels. In April 1993, the Company repaid $6,600,000 of its $20,000,000, 10.3% unsecured note payable. Investment income for fiscal year 1994 decreased $388,000 from fiscal year 1993 primarily due to the sale of marketable securities to meet the $6,600,000 debt repayment. Also, marketable securities were sold to fund capital expenditures including a significant building addition at the Company's Richardson Road facility which was completed in August 1993. Other income for fiscal years 1994 and 1993 included $498,000 and $368,000, respectively, for royalties received under a license agreement with a foreign vendor. Finally, in fiscal year 1993 the Company established an allowance of $2,200,000 relating to a settlement of civil claims pertaining to the pricing of a 1985 fixed-price contract modification.

The income tax provisions for fiscal years 1994 and 1993 were based on annual effective tax rates of 30% and 42%, respectively. Operating results for the purpose of calculating the annual effective tax rate in fiscal year 1993 exclude the provision for claims settlement of $2,200,000. See Note 5 to the consolidated financial statements for the reconciliation of the statutory federal income tax rate to the Company's effective tax rates in fiscal years 1994 and 1993.

As of the beginning of fiscal year 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," and recorded the cumulative effect of the accounting change of $2,540,000, or $.64 per share, primarily resulting from the recording of tax benefits related to contract loss provisions recorded in prior years and adjusting tax rates on previously recorded tax assets and liabilities. In addition, the Financial Accounting Standards Board issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The Company's adoption of these two standards has not impacted current operating results and is not expected to have a material impact on future operating results.

Results of Operations — Fiscal 1993 versus Fiscal 1992

Sales and service revenues of $113,132,000 reflected a decrease of 19% from the $140,112,000 in revenues reported for fiscal year 1992. The revenue decline directly reflected the low level of new contract awards received during the last six months of fiscal year 1992. Revenues from avionics installation/integration programs reflected the most significant decline in fiscal year 1993, contributing $32,732,000 of revenues in that year as compared with $47,982,000 in fiscal year 1992. In addition, revenues attributable to simulator programs declined $13,155,000 in fiscal year 1993 primarily due to the maturation of individual jamming simulator programs such as the AN/MLQ-T4 Ground Jammer, the AN/FSQ-T22, the HPMAS ALT-40 and the Guided Weapons Evaluation Facility. The decline was partially offset by increased revenues from radar environment simulator programs with several foreign customers. Electronic countermeasures programs experienced revenue growth of $4,738,000 in fiscal year 1993 when compared with fiscal year 1992. Revenues from the TACJAM-A program, a major electronic countermeasures program, contributed $12,996,000 for fiscal year 1993 as compared to $6,128,000 for fiscal year 1992. That revenue growth combined with a revenue growth of $7,636,000 in the Band 9/10 program, another electronic countermeasures program, were partially offset by a decline in revenues from a major electronic countermeasures program with a foreign government which contributed only $5,310,000 to revenues in fiscal year 1993, down from $15,746,000 in fiscal year 1992.

Operating income was $2,143,000 in fiscal year 1993 as compared with $5,323,000 in fiscal year 1992. The decline in sales and service revenues for fiscal year 1993 had a corresponding adverse impact on gross margins. Operating income for fiscal year 1993 was also adversely impacted by $2,500,000 resulting from net unfavorable contract performance adjustments to final cost estimates. The fiscal year 1993 adjustments included additional contract loss allowances of $1,800,000

and $1,100,000 established for the AN/ALR-67 ASR program and the AN/FSQ-T22 program, respectively. Fiscal year 1992 performance adjustments were essentially offsetting. Administrative and selling expenses for fiscal year 1993 were fairly consistent with the amount of expenses reported for fiscal year 1992. However, due to the decline in revenues, administrative and selling expenses, which are generally fixed, increased significantly as a percentage of revenues. Operating income in fiscal year 1993 was adversely impacted by costs associated with restructuring, corporate downsizing, and consolidation of resources, which increased by approximately $1,200,000 from the amount of similar costs recorded in the prior year. Such costs were allocated to the Company's contracts as well as administrative and selling expenses, thereby, representing contributing factors to the aforementioned comparisons of contracts' gross margins, contracts' performance adjustments and administrative and selling expenses. Finally, fiscal year 1993 had reduced bid and proposal activity, decreasing related costs by $2,215,000 from fiscal year 1992, and growth in research and development activity, increasing related costs by $759,000 from fiscal year 1992.

Interest expense in fiscal year 1993 was $2,418,000 as compared with $3,272,000 in fiscal year 1992. The decrease was due to lower average borrowing levels combined with lower average interest rates. The lower borrowing levels in fiscal year 1993 were due to reductions in short-term and long-term borrowings which occurred primarily in the fourth quarter of fiscal year 1992 and resulted from cash provided by the settlement of a claim in February 1992. The claim settlement, which resulted in a gain of $14,368,000 being recognized in fiscal year 1992, related to the redemption of the Company's shares in Tadiran, Ltd. Investment income for fiscal year 1993 was $843,000 as compared to $322,000 in fiscal year 1992. The increase was due to the investment of funds received from the aforementioned claim settlement with Tadiran, Ltd. Finally, in fiscal year 1993 the Company established an allowance of $2,200,000 relating to a settlement of civil claims pertaining to the pricing of a 1985 fixed-price contract modification.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," in fiscal year 1993. As permitted under SFAS No. 109, the Company has not restated the prior year's financial statements to apply the provisions of SFAS No. 109. The cumulative effect of the accounting change as of the beginning of fiscal year 1993 was $2,540,000 or $.64 per share, primarily resulting from the recording of tax benefits related to contract loss provisions recorded in prior years and adjusting tax rates on previously recorded tax assets and liabilities. The effect of the adoption of SFAS No. 109 on the income tax provision for fiscal year 1993 decreased net income by $920,000, or $.24 per share, primarily related to the establishment of a valuation allowance for the deferred tax assets. Extraordinary credits were recognized in fiscal year 1992 based on the carryforward of losses from prior years.

Results of Operations — Outlook for Fiscal Year 1995

The Company completed fiscal year 1994 with a firm orders backlog of $121,478,000, approximately 22% lower than the backlog amount reported at the end of fiscal year 1993. It is anticipated that approximately 70% of the backlog will be completed in fiscal year 1995, thereby contributing to sales and service revenues for that year. Sales and service revenues in fiscal year 1995 are expected to approximate the level reported in fiscal year 1994, however, revenues recognized will be partially dependent upon the timing and amounts of anticipated new orders. The level of new orders in fiscal year 1995 is expected to exceed the level of new orders received in 1994. The backlog at February 25, 1994, included an unfunded amount of $14,747,000.

Fiscal year 1995 operating results will be influenced by various internal and external factors. The Company is presently engaged in several programs involving complicated engineering development efforts and, as is the case with most development efforts, technical and other complexities are often encountered. These complexities have resulted in increased contract cost estimates in the past and could have the same result in the future. The Company could also encounter similar risks on other long-term contracts as well as research and development efforts, and such factors could impact future operating results. In addition, the Company continues to seek high-technology seed programs which are intended to provide a base for the Company's future operations. Such programs may require contract investment provisions or significant Company-sponsored research and development expenditures, both reflecting the Company's commitment of its own funds.

Ongoing changes in many countries around the world have resulted in the U.S. Government reassessing its approach to national defense spending. Although it is clear that defense spending will continue to decline, it is unclear how that spending will be redirected. Management is continuing its strategic planning efforts in order to enhance the Company's ability to be responsive to the Government's requirements and to select products and business areas which will enable the Company to effectively compete and perform in a very demanding marketplace. Although the uncertainties of future world events and the corresponding changes in national defense spending hang over the defense industry, the Company's products, heavily concentrated in the field of defense electronics, and management's constant thrust to improve its design, manufacturing and quality systems, provide the Company with the prerequisites to be competitive. The U.S. Government and its suppliers continue to be the most significant customers of the Company, and a significant reduction in one or more of the Company's major defense programs, existing or anticipated, could adversely effect the Company's future operating results.

The Company from time to time is subject to claims and investigations arising from the conduct of its business with the U.S. Government. Under one such investigation, the Company has supplied the Inspector General of the Department of Defense with certain documents related to the AN/MLQ-T4 Ground Jammer program. At this time, management is unable to determine when the Government will complete its investigation or whether the Government will seek remedies as a result of its investigation. This matter and other ongoing legal matters which may impact future operating results are described in Note 8 to the consolidated financial statements.

The Company's consolidated balance sheet at February 25, 1994 contains a net deferred tax asset of $2,896,000 including a valuation allowance of $1,180,000 primarily for the uncertainty relating to the realization of future income tax benefits. The Company believes it is more likely than not that the majority of the net deferred tax asset will be realized through future reversals of existing taxable temporary differences and future taxable income. The Company's conclusion that it is "more likely than not" that the majority of the deferred tax asset will be realized is based on a history of earnings, forecasted earnings for fiscal year 1995 and the prospects for continued earnings after 1995. However, significant subsequent events related to the uncertainties discussed above could have a material adverse effect on expected future income and, consequently, the realization of the Company's deferred tax asset. The Company will continue to periodically review the tax criteria related to the recognition of the deferred tax asset.

Inflation

Because the Company's products and services are predominantly custom-made, the impact of inflation on operating results is typically not significant. The Company attempts to alleviate inflationary pressures by increasing selling prices to help offset rising costs (subject to competitive conditions and regulatory requirements), increasing productivity and improving design and manufacturing techniques.

Liquidity and Capital Resources

The Company's primary source of short-term financing is from cost reimbursements under contracts with the U.S. Government and its suppliers. That financing is supplemented, when necessary, through the liquidation of short-term investments and borrowings under a line of credit agreement. Cash flows in fiscal year 1994 were provided through operations and liquidation of marketable securities, and were absorbed to repay long-term debt and fund capital expenditures. At February 25, 1994, the Company has available cash and equivalents and liquid marketable securities of approximately $11,800,000, and a line of credit agreement providing for borrowings up to $5,000,000. The line of credit agreement expires June 30, 1994, at which time the Company expects to renew the agreement at essentially the same terms and for an amount required to satisfy its needs for the foreseeable future. The Company's second installment repayment of $3,300,000, on its 10.03% unsecured note obligation is due April 1994. The Company has exercised an option to accelerate the repayment of an additional $1,700,000. This additional payment will reduce the maturity of the unsecured note obligation from April 1998 to April 1997. See Note 4 to the consolidated financial statements for the aggregate maturities of long-term borrowings over the next five fiscal years. The Company's ratio of current assets to current liabilities decreased from 2.1 to 1 at February 26, 1993, to 2 to 1 at February 25, 1994, and the long-term debt to equity ratio decreased from .4 to 1 at February 26 1993, to .3 to 1 at February 25, 1994.

During fiscal year 1994, the Company completed construction of a major building addition at its Richardson Road facility. The total cost, including related expenditures, of approximately $4,300,000 was funded through the sale of marketable securities. No major building additions are planned in fiscal year 1995 and beyond.

In 1993, the Company agreed to pay $2,200,000 in settlement of civil claims pertaining to the pricing of a 1985 fixed-price contract modification. The Company paid $1,100,000 in July 1993 and will pay the balance in July 1994.

With a substantial amount of highly liquid assets and a strong working capital position at February 25, 1994, capital resources should be sufficient to meet the Company's operating needs for the foreseeable future, as well as long-term debt maturities and other anticipated cash outlays.

RUBBERMAID INCORPORATED (DEC)

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

Results of Operations

Net sales for 1994 were $2.169 billion – up 11% from $1.960 billion in 1993, a record performance for the 43rd consecutive year. Volume was up 12%, including 3% from acquisitions, net of divestitures, while pricing was down 1%. Sales growth was stimulated by a record level of new product introductions and aggressive marketing and advertising which made consumers conscious of the value and innovation of those products. Net sales in 1993 were up 9% from 1992, due to increased unit volume.

Emphasis on worldwide opportunities and global expansion in 1994 resulted in international sales growth outpacing the domestic growth rate. Significant contributions from operations outside the United States as well as export activities underscored the Company's expanded presence in international markets.

In September, the Company announced selling price increases to help offset a dramatic escalation in resin costs. Selling prices were increased product-by-product and business-by-business, as necessary, but did not begin to have an impact on results until late in the fourth quarter.

Net earnings in 1994 were a record $228.1 million, or $1.42 per share, up 8% from $211.4 million, or $1.32 per share, in 1993. Record 1994 earnings marked the 57th consecutive year of profitable performance by the Company. The earnings increase reflects the Company's continued emphasis on strong unit growth, productivity improvements, vigorous cost control measures, and better factory utilization.

Before adoption of FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," 1992 net earnings were $184.2 million, or $1.15 per share. After the FAS 106 accounting change, which resulted in a one-time after-tax charge of $20.1 million, or $.13 per share, 1992 earnings were $164.1 million, or $1.02 per share.

Cost of sales as a percent of net sales was 67.6%, 65.6%, and 66.5% in 1994, 1993, and 1992, respectively. The 1994 increase reflects escalating materials costs, particularly sharp resin cost increases which began in the third quarter and continued rising at high rates in the fourth quarter. By the end of 1994, resin market prices were 80% above levels earlier in the year. The 1993 improvement versus 1992 primarily reflected favorable manufacturing cost trends including a more efficient loading of factories and a LIFO reserve reduction. Resin prices, which were slighlty lower on average in 1993 compared with 1992, were stable throughout 1993.

Selling, general, and administrative expenses as a percent of net sales were 16.0%, 16.8%, and 17.2% in 1994, 1993, and 1992, respectively. These costs as a percent of net sales continue to decline year-over-year, primarily as a result of productivity improvements which allow the expense level to be leveraged over greater volume, partially offset by an increase in advertising and promotion expense.

Miscellaneous, net includes items such as income from minority interests in joint ventures, royalty income, foreign exchange gains and losses, amortization of intangible assets, and gains and losses on the disposal of property, plant, and equipment. Increased income in 1994 versus 1993 primarily reflects certain gains recognized from 1994 divestitures and a reduction in the loss on disposal of equipment.

The effective income tax rate as a percent of earnings before income taxes and cumulative effect of changes in accounting principles was 37.9%. 38.2%, and 37.4% for 1994, 1993, and 1992, respectively. The increase in the effective rate in 1993 compared to 1992 is due to the impact of the Omnibus Budget Reconciliation Act, which increased the corporate federal income tax rate on domestic income from 34% to 35%.

Outlook for 1995

Looking toward 1995, the Company anticipates continued sales growth through new product introductions, business development activities, and increased price realization. Earnings growth is expected to trail sales increases due to the lag in phasing-in selling price increases to recoup escalating resin costs. Pressure on margins is expected to abate during the year as resin cost increases start to slow and are more fully offset by higher selling prices.

Capital Resources and Liquidity

The Company's financial position continues to be solid. Growth has been financed through a combination of cash provided from operations and new equity issues, and to a lesser extent through long-term debt financing. Cash provided from operating activities is the primary source of liquidity and amounted to $212 million in 1994, $289 million in 1993, and $177 million in 1992.

The Company has relationships with commercial banks that informally have committed to provide approximately $115 million to finance fluctuations in working capital and, if necessary, to provide other funds for operations until term financing is secured. Long-term financing is negotiated as necessary to meet growth requirements. Newly issued equity may be used in the future to finance acquisitions. Internally generated funds have principally been used to finance capital expenditures, provide working capital, acquire businesses, repurchase Common Shares, and pay dividends. During 1994, the Company issued approximately 2.2 million Common Shares in connection with the acquisition of Empire Brushes, Inc. In addition, as part of a program authorized by the Board of Directors, the Company purchased approximately 1.8 million Common Shares for its treasury at an aggregate cost of $48.7 million.

Each year for the past 40 years dividends paid per share have increased. The Company's objective is to pay approximately 30% of current year's earnings as dividends and retain sufficient capital for future investment opportunities to grow sales and earnings at the objective annual rate of 15%.

In 1994, the Company invested $118 million in property, plant, and equipment to expand capacity, improve productivity, and tool new products. Investments continue to be made in new equipment throughout the Company to support productivity improvements and cost reduction programs. Tooling was purchased for a wide variety of new products and to add capacity for existing products. In addition, the Company made an investment to build and equip a European production facility at Differdange, Luxembourg, primarily for the Little Tikes business. For 1995, investments in excess of the 1994 level have been budgeted to be funded from operations.

Working capital, excluding cash and cash equivalents and marketable securities, increased $103.4 million in 1994. The net change reflects the incremental increase arising from business development activities, an increase in receivables, and a decrease in core inventory levels as well as an increase in other accrued liabilities.

Acquisitions. In June 1994, the Company acquired Carex Inc., a manufacturer and marketer of bath safety products, personal care accesories, and other products for the aging and physically challenged, in a cash transaction accounted for as a purchase, and Empire Brushes, Inc., a manufacturer and marketer of brushes, brooms, and mops for home and commercial use, in a stock transaction accounted for as a purchase. In October 1994, the Company acquired the assets of Glenwood Systems Pty. Ltd. and related companies, well-known in Australia as Ausplay, an innovative designer and marketer of high-quality commercial playground equipment, in a cash transaction accounted for as a purchase.

Divestitures. In September 1994, the Company sold its casual outdoor resin furniture business. In November 1994, the Company sold the assets of the Davson Division of Rubbermaid Office Products.

Joint Ventures. In April 1994, the Company completed a previously announced joint venture with Richell Corporation, a leading Japanese housewares manufacturer. The joint venture, Rubbermaid Japan, Inc., develops, markets, and sells housewares, leisure, and seasonal products for the Japanese market. The Company initially held a 40% equity interest in the venture and, in October 1994, exercised an option to increase its equity interest to 51%.

In May 1994, the Company ended its European housewares joint venture with DSM, the Dutch chemical group. Under the terms of the dissolution agreement, the Company is free to enter the European housewares market on an unrestricted basis in March 1995. Prior to its termination, the Company's 40% interest in the joint venture was accounted for by the equity method.

In January 1995, the Company formed Royal Rubbermaid Structures, Ltd., a joint venture with Royal Plastics Group Limited of Canada, for the manufacture and marketing of modular plastic components and kits for small structures, such as storage buildings and sheds. Each partner owns 50% of the joint venture.

The business development activities described above had no material effect on the 1994 financial statements.

Environmental Program

The Company is subject to various laws and regulations concerning environmental matters and employee safety and health in the United States and other countries. The Occupational Safety and Health Administration, the U.S. Environmental Protection Agency, and other federal agencies have authority to promulgate regulations that have an impact on the Company's operations. Many state and local governments also have adopted environmental and employee safety and health laws and regulations. Federal and state authorities may seek fines and penalties for violation of these laws and regulations. As part of its continuing environmental program, the Company has been able to comply with regulations and requirements of state and federal agencies without any materially adverse effect on its business.

The Company is committed to a long-term environmental protection program which is managed by the Company's environmental council. The council meets regularly and assesses the impact of environmental laws and regulations on the Company's operations. In addition, the Company uses outside firms to perform regular environmental audits of its facilities that have, to date, revealed no significant environmental problems.

VARIAN ASSOCIATES, INC. (SEP)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net earnings for 1994 grew 73% to $79.4 million ($2.22 per share), compared to the $45.8 million ($1.26 per share) earned in the prior year. 1992's net earnings were $38.6 million ($1.02 per share). Earnings for the fourth quarter of 1994 rose 50% over the prior year's quarter to $27.0 million ($0.76 per share).

Orders for the year reached a new high of $1.71 billion. Fourth quarter orders of $421 million were up 16% from the year-ago quarter. Sales for the year rose 18% to a record $1.55 billion, from the prior year's $1.31 billion, and also reached a quarterly high of $441 million. Backlog at the end of the year was $775 million compared to $627 million and $561 million at years ended in 1993 and 1992, respectively.

Varian's four core businesses all benefited from the combination of good order levels and improved efficiency.

Good worldwide demand for Varian's cancer therapy equipment and X-ray tubes drove orders and sales for the Company's Health Care System business up 10% over 1993. Profits climbed 15% from the prior year. Backlog rose slightly over last year's level. The good performance reflected both the Company's continued strength in the radiation oncology market as well as strong results from its X-ray tube business. In the latter sector, steps to strengthen its distribution system and relationships with key original equipment manufacturers more than offset soft demand for the diagnostic equipment that uses the tubes. Demand for radiation therapy equipment continued to grow on a worldwide basis due to its efficacy and cost-effectiveness. The Company's multi-year program to expand its share of the overseas market resulted in 35% of 1994 orders coming from international customers.

Instruments orders advanced slightly during the year, as strength in the Company's vacuum products line overcame the effects of generally slow demand in the analytical instrument market. Sales rose 6%, while operating profits declined slightly from 1993, because of competitive industry pricing conditions. Backlog also declined 6% from the prior year.

Orders for Varian's Semiconductor Equipment business rose 87% over 1993 to $610 million, as chip manufacturers worldwide continued to invest in new equipment for the next generation of advanced devices. Sales climbed 64% from 1993's level, and operating profits reached $36 million, rising from $1 million in 1993. Backlog more than doubled to $245 million at year's end. The upswing in Semiconductor Equipment performance was based on strong global demand for all of its major product lines. Continued market growth in the U.S. and Korea was further strengthened by improving momentum in Europe and recently in Japan. The discontinuance of the semiconductor equipment distribution agreement with Tokyo Electron Limited in the U.S. and Europe was completed as planned effective September 30, 1994. Semiconductor equipment orders and sales growth will be moderated by discontinuation of the distribution of TEL products. The impact on Semiconductor Equipment earnings is expected to be minimal under the terms of the termination, which includes payments to the Company for certain future TEL sales.

Orders for the Electron Devices business increased 7% during 1994, with modest growth in both the commercial and defense sectors. Sales fell slightly, but operating profits rose 50% over 1993, an increase for the second year in a row. The profit improvement was evident across a wide variety of product lines in 1994. Backlog advanced 9% from year-end 1993.

Spending on research and development continued at approximately 5% of sales. Research and development expense in 1994 was $81.3 million, compared to $73.9 million and $76.7 million in 1993 and 1992, respectively.

Net interest expense in 1994 declined to $2.0 million compared to $4.5 million and $3.2 million in 1993 and 1992, respectively.

The effective tax rate for 1994 was 38%, the same as both of the two preceding years. See Summary of Significant Accounting Policies in Notes to the Consolidated Financial Statements.

Financial Condition

The Company's financial condition remained strong during 1994. Operating activities provided cash of $120.3 million compared to $89.8 million in 1993. Investing activities used $51.4 million and $57.9 million in 1994, and 1993, respectively, mainly for the purchase of property, plant, and equipment. Financing activities used $61.4 million during 1994 as compared to $28.1 million during 1993. $36.1 million was used to buy back shares of the Company's outstanding stock under a share reduction program, and to offset the issuance of stock to employees. Net payments of $18.1 million decreased total debt as a percentage of total capital to 12.7% at the end of fiscal 1994 as compared with 16.8% a year ago. Cash and cash equivalents were $78.9 million at year-end, exceeding all short- and long-term debt of $65.2 million. The ratio of current assets to current liabilities remained at 1.55 to 1 at fiscal year-end 1994, unchanged from fiscal year-end 1993. Quarterly dividends were increased from $.05 to $.06 per share in the second quarter of fiscal 1994. The Company has available $50 million in unused lines of credit.

Outlook

Despite the favorable financial results described above, future revenue and profitability remain difficult to predict. The Company continues to face various risks associated with its business operations including uncertain general worldwide economic conditions, lingering worldwide recessionary conditions, new product acceptance, and uncertainty regarding possible legislation and private initiatives in the U.S. to control health care costs. Such conditions could affect the Company's future performance.

On October 20, 1994, the Company announced that it will seek a buyer for the Electron Devices operations. The sale will not go forward unless the selling price recognizes the increased profitability and improving value attained in the business in recent years.

The Company's operations are subject to various federal, state, and/or local laws regulating the discharge of materials to the environment or otherwise relating to the protection of the environment, such as discharges to soil, waters, and air, and the generation, handling, storage, transportation, and disposal of waste and hazardous substances. These laws have the effect of increasing costs and potential liabilities associated with the conduct of such operations. The Company has also been named by the U.S. Environmental Protection Agency or third parties as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, at seven sites to which Varian is alleged to have shipped manufacturing waste for disposal. The Company is also involved in various stages of environmental investigation and/or remediation under the direction of, or in consultation with, local and/or state agencies at certain current or former Company facilities. Uncertainty as to (a) the extent to which the Company caused, if at all, the conditions being investigated, (b) the extent of environmental contamination and risks, (c) the applicability of changing and complex environmental laws, (d) the number and financial

viability of other potentially responsible parties, (e) the stage of the investigation and/or remediation, (f) the unpredictability of investigation and/or remediation costs (including as to when they will be incurred), (g) applicable clean-up standards, (h) the remediation (if any) which will ultimately be required, and (i) available technology make it difficult to assess the likelihood and scope of further investigation or remediation activities or to estimate the future costs of such activities if undertaken. In addition, the Company believes that it has rights to contribution and/or reimbursement from financially viable, potentially responsible parties and/or insurance companies, and has filed a lawsuit against 36 insurance companies with respect to most of the above-referenced sites. The Company has established reserves for these environmental matters, which reserves management believes are adequate. Based on information currently available, management believes that the costs of these matters are otherwise not reasonably likely to have a material adverse effect on the financial condition of the Company.

Prospective Information Excerpts

CPC INTERNATIONAL INC. (DEC)

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

Overview of 1994 and Outlook for 1995

CPC International's primary objective continued to be to improve shareholder value through focused development of its two businesses, consumer foods and corn refining. The Company's strategy for its consumer foods business is to pursue growth worldwide in its core businesses: soups, sauces, bouillons, and related products; dressings; and foodservice. For the corn refining business, CPC's strategy is to maximize its return through a combination of improving profitability, investing selectivity for growth, and leveraging this business' strength through strategic relationships.

In line with these strategies, during 1994 the Company continued to build volume growth in all its existing businesses; introduced many new products throughout the world in both the consumer foods and corn refining businesses; established two strategic alliances in Latin America; acquired businesses in the U.S., Europe, and Asia; expanded and built production facilities; and undertook a major restructuring program.

These actions resulted in a solid earnings gain, excluding the restructuring charge of $227 million, even though the following conditions held back growth: in North America, high commodity costs together with consumer concerns over fat consumption reduced demand in several important product categories; economic difficulties in Brazil reduced food purchases by consumers for several months; and European currency values in 1994, compared to the prior year, were unfavorable for most of the year.

In 1995 the conditions relating to consumption, cost, currency values, competition, and political and social environments in the economies and industries in which CPC operates are, overall, not expected to change significantly. It is expected that in 1995 economies in most areas of the world will continue to progress at current, generally modest, rates of growth. More specifically:

- In the U.S. it is expected that economic growth will remain at a level similar to 1994. It is likely that this will benefit the Company, as will Best Foods' increased offerings of reduced and low fat products and other new products.
- In Europe the economic recovery in progress is expected to continue steadily in northern countries but remain weak in the south. Currency values on average in 1995 are likely to be close to 1994 levels. Competition will continue strong as the European Union's food manufacturers and retail trade continue to seek efficiencies. These factors will continue to have a moderating effect on the division's volumes and margins, and therefore its sales and profit growth. CPC's leading brands, wide geographic presence, and its new products and businesses are expected to provide the needed strength to counteract these forces.
- In Latin America the currency devaluations in Mexico, beginning in December 1994, and the resulting capital flight and economic disruption will significantly reduce new capital inflows into the area and therefore moderate the rate of business growth. A widening of the Mexican crisis to other Latin American countries cannot be ruled out. However, it is more likely that Mexico will regain economic stability in 1995 and thereby restore a level of confidence in that country and the rest of Latin America. Apart from that, Latin America's freer markets and open borders of recent years have led to higher regional business activity that should continue to benefit income and consumption levels. CPC, with its strong market positions throughout the area, is expected to make good progress in 1995, even with economic conditions somewhat less favorable than in 1994.

- In Asia economic growth in 1995 is expected to remain good. Because the Company's products have relatively low market penetration in most countries in that area, CPC continues to see important opportunities for strong growth in its businesses there.
- The worldwide restructuring program initiated in 1994 will continue to be implemented during 1995 and 1996. The resulting cost benefits from greater efficiencies are expected to enhance CPC's competitive position, particularly in Europe and North America.

The last three years' financial results are discussed below. A general description of operations appears on pages 2 through 21 of this report.

GTI CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prospective Information

The Company believes that future results of operations will be influenced by a number of factors, including general economic conditions, the continued growth in the LAN and internetworking markets, timely new product introductions, dependence on key OEM customers, market acceptance of the new networking technologies, the future performance of Promptus, and numerous competitive factors. It is anticipated that the Company's operating results in the foreseeable future will remain dependent on the success of the networking products segment in identifying, developing, manufacturing, and marketing new products or enhancing existing products.

The Company's future operating results will also depend on the growth of broad-band global services and high-speed digital network applications, which Promptus' products support. Promptus' growth will depend on several factors, including the growth in the deployment of digital-switched services and related market for ISDN customer-premise equipment, significant expansion of marketing activities, and expansion of its product line and customer base as well as the ability to compete effectively in the videoconferencing access market and in applications other than videoconferencing.

The majority of the networking products segment sales continue to be derived from products that support Ethernet and 10Base-T applications. This segment's operating results could be affected if there is an unexpected change in such technologies or if the Company does not respond appropriately to expected changes. The networking products segment is supplying OEMs with product compliant with all relevant IEEE, ANSI, and asynchronous transfer mode ("ATM") forum standards for 100 Base-TX Fast Ethernet, TP/PMD (FDDI over copper), and 155 Mbps ATM applications. The success of these new products is dependent on many factors, such as industry differences over standardization, timely product introduction, and market acceptance as well as the Company's ability to manufacture its products in sufficient quantities to meet anticipated demand. The inability of these advanced networking modes to gain market acceptance or potential delays of the widespread installation of such products could subject this segment's existing products to increased competition and pricing pressure, which would adversely affect the Company's operating results.

The Company's future performance will also be affected by the volume, mix, and timing of orders received during a particular quarterly period. If anticipated orders do not develop or changes in delivery schedules or cancellation of orders occur, expenditure and inventory levels could be disproportionately high and the Company's operating results for that period would be adversely affected.

The Company will continue to manage its mature electronic components and distribution products segments for cash flow and profitability. With the consummation of the Promptus acquisition, management is reviewing the strategic significance of these business units or parts thereof. Presently, it is not possible to assess the outcome of this review or to predict whether or not a sale of these business units, if desired by the Company, could be consummated on acceptable terms.

Because of the factors above, as well as other factors, historical operating results should not be relied upon as an indicator of future performance.

SUNDSTRAND CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook

Industrial

The outlook for the Company's Industrial businesses is quite favorable. Our businesses have strong franchises in mature, cyclical markets, and they produce above average profitability and excellent cash flow. Continuing strength in the U.S. industrial economy, along with a recovering European economy and penetration of more rapidly growing economies in the rest of the world, should allow the Industrial segment to continue to grow while earning significant operating margins. The growth of this segment may require additional capital expenditures in certain businesses for increases in capacity. Industrial companies or products with specific characteristics also may present attractive acquisition targets for the Company.

Aerospace

The commercial aerospace industry worldwide is expected to experience moderate growth through the end of the decade. The Company's Aerospace business has a strong market position, and is poised to benefit from anticipated worldwide growth in revenue passenger miles which ultimately results in increased demand for new aircraft.

Major reductions in military spending, however, are expected to negatively impact the Company's manufacturing load over an extended period of time. In addition, the current reduced rate of new aircraft acquisitions by world airlines, the migration to twin-engine planes, and improved reliability of the Company's products also have impacted the manufacturing load. This has resulted in the profitability of the Aerospace segment becoming increasingly volume sensitive.

Increases in manufacturing productivity accompanied by recent reductions in manufacturing volume have resulted in excess manufacturing and engineering capacity, along with related overheads. In response to this situation, the Company's Board of Directors on February 21, 1995, approved a restructuring plan that will result in a first quarter pretax charge of $58 million. The charge will be taken to cover the one-time costs of reducing excess manufacturing capacity by closing its facility in Lima, Ohio, reducing the engineering overhead in the Company's Aerospace segment, and writing down the assets of two non-core product lines.

The anticipated net effects of additional non-accrued expenses, restructuring savings, and related nonrecurring gains are a pretax loss of approximately $7 million in 1995 and pretax earnings of approximately $20 million in 1996. The restructuring is expected to reduce cash flow by about $16 million in 1995 and provide a cash flow benefit of about $8 million in 1996.

Forecast

In its quarterly earnings release of February 22, 1995, the Company forecast for 1995 a sales increase of about 5 percent which should result in earnings per share in a range of $3.25 to $3.45, excluding the effects of the previously discussed restructuring and any additional share repurchases. Order trends support this forecast.

Industrial sales in 1995 are expected to increase by about 10 percent and, excluding the first quarter charge, yield an operating profit margin of about 17 percent of sales. Aerospace sales are expected to be relatively flat in 1995 with an operating profit margin of approximately 13 percent of sales, excluding the effects of the restructuring.

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 1994 financial statements of the survey companies. Examples of segment information disclosures follow.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Industry segments				
Revenue	350	354	363	367
Operating income or loss	301	317	322	332
Identifiable assets	343	349	352	355
Depreciation expense	339	349	348	352
Capital expenditures	339	346	343	347
Geographic areas				
Revenue	259	250	238	234
Operating income or loss	201	198	180	189
Identifiable assets	250	238	229	222
Depreciation expense	16	17	16	15
Capital expenditures	17	20	20	17
Export sales	160	142	143	148
Sales to major customers	170	160	154	142

Industry Segments

DOLE FOOD COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13–Industry and Geographic Area Segment Information

The Company's major operations are in Food Products, Real Estate and Resorts. The Food Products segment procures, grows, processes and markets fruits, vegetables and nuts in the following locations: (1) North America; (2) Latin America–principally Chile, Colombia, Costa Rica, Ecuador, Honduras and Panama; (3) Asia–principally Japan, the Philippines and Thailand; and (4) Europe–principally Germany, France and Italy. Real estate activities are conducted in the United States and consist primarily of holding, developing, operating and selling residential and commercial real estate. Resorts include two luxury hotels on the Island of Lana'i in Hawaii.

Revenue, operating income, identifiable assets, capital expenditures and depreciation and amortization pertaining to the industries and geographic areas in which the Company operates are presented below. Product transfers between geographic areas are accounted for based on the estimated fair market value of the products.

(in millions)	1994	1993	1992
Revenue			
Food Products			
North America	$1,933	$1,890	$1,997
Latin America	677	640	924
Asia	842	700	648
Europe	777	577	488
Intercompany elimination	(731)	(699)	(937)
Total Food Products	3,498	3,108	3,120
Real Estate	297	284	230
Resorts	47	39	26
	$3,842	$3,431	$3,376
Operating Income			
Food Products			
North America	$(8)	$39	$40
Latin America	131	62	64
Asia	16	77	83
Europe	13	—	10
Total Food Products	152	178	197
Real Estate	73	64	53
Resorts	(37)	(40)	(41)
Corporate and unallocated	(14)	(17)	(24)
Cost reduction program	—	(43)	(46)
	$174	$142	$139

(in millions)	1994	1993	1992
Identifiable Assets			
Food Products			
North America	$1,065	$1,043	$999
Latin America	776	707	695
Asia	332	266	248
Europe	339	211	85
Total Food Products	2,512	2,227	2,027
Real Estate	946	788	715
Resorts	336	316	301
Corporate	55	57	52
	$3,849	$3,388	$3,095
Capital Expenditures			
Food Products	$212	$174	$164
Real Estate	9	9	18
Resorts	19	36	10
	$240	$219	$192
Depreciation and Amortization			
Food Products	$117	$100	$88
Real Estate	10	12	5
Resorts	18	16	15
Corporate and unallocated	3	5	2
	$148	$133	$110

Notes: Food Products revenue includes inter-area transfers from Latin America to North America, Asia and Europe of $444 million in 1994, $418 million in 1993 and $731 million in 1992; inter-area transfers from Asia to North America and Europe of $190 million in 1994, $227 million in 1993 and $206 million in 1992; inter-area transfers from North America to Asia and Europe of $77 million in 1994, $38 million in 1993 and zero in 1992; and inter-area transfers from Europe to North America, Asia and Latin America of $20 million in 1994, $16 million in 1993 and zero in 1992.

The cost reduction program charge included in operating income for 1993 is related to the Food Products segment. The cost reduction program charge included in operating income for 1992 is allocable to the following segments: Food Products–$43 million, Real Estate–$3 million.

THE TIMKEN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Segment Information

The company manufactures products that fall into two major classifications. The first includes anti-friction bearings used in a multitude of applications to reduce friction and conserve energy. The second classification is steel products of alloy, intermediate alloy and carbon grades. Sales of these products are made predominantly to manufacturers in the automotive, machinery, railroad, aerospace and agricultural industries, and to service replacement markets following normal credit practices.

Net sales by segment include sales to both unaffiliated customers and intersegment sales. Intersegment sales and transfers between geographic areas are accounted for at values based on market prices.

Information by Industry

(Thousands of Dollars)	Bearing	Steel	Consolidated
1994			
Net sales(1)	$1,312,323	$618,028	$1,930,351
Operating income	84,924	53,651	138,575
Assets employed at year-end	1,117,762	740,972	1,858,734
Depreciation and amortization	64,487	54,768	119,255
Capital expenditures	88,585	31,071	119,656
1993			
Net sales(1)	$1,153,987	$554,774	$1,708,761
Operating income(2)	12,821	7,635	20,456
Assets employed at year-end	996,549	793,170	1,789,719
Depreciation and amortization	62,965	55,438	118,403
Capital expenditures	72,915	20,025	92,940
1992			
Net sales(1)	$1,169,035	$473,275	$1,642,310
Operating income (loss)	60,062	(11,089)	48,973
Assets employed at year-end	986,617	751,833	1,738,450
Depreciation and amortization	63,125	51,308	114,433
Capital expenditures	73,292	65,804	139,096

(1) Intersegment steel sales to the bearing business of $211,201,000 in 1994, $162,133,000 in 1993 and $156,525,000 in 1992 are eliminated on consolidation and are not included in the figures presented.

(2) The 1993 impairment and restructuring charges of $48,000,000 by industry segments follow (in thousands of dollars):

	Bearing	Steel	Consolidated
Impairment charges	$12,250	$4,750	$17,000
Restructuring charges	24,355	6,645	31,000
	$36,605	$11,395	$48,000

There were no significant changes to the program in 1994.

THE WASHINGTON POST COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

M. Business Segments

The company operates principally in four areas of the communications industry: newspaper publishing, television broadcasting, magazine publishing and cable television.

Newspaper operations involve the publicationof newspapers in the Washington, D.C. area and Everett, Washington, and newsprint warehousing and recycling facilities.

Broadcast operations are conducted primarily through six VHF television stations. All stations are network-affiliated, with revenues derived primarily from sales of advertising time.

Magazine operations consist of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to more than 498,000 subscribers in 15 midwestern, western, and southern states. Prior to September 1993, cable television operations also included services provided in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

Other Businesses include the operations of a database publishing company, a regional sports cable system, a wireless telephone system, educational centers engaged in preparing students for admission tests and licensing examinations (including the preparation and publishing of training materials), and a producer and publisher of CD-ROM titles.

Income from operations is the excess of operating revenues over operating expenses including corporate expenses, which are allocated to operations of the segments. In computing income from operations by segment, the effects of equity in earnings of affiliates, interest income, interest expense, other income and expense items, and income taxes are not included.

Identifiable assets by segment are those assets used in the company's operations in each business segment. Investments in affiliates are discussed in Note D. Corporate assets are principally cash and cash equivalents and investments in marketable debt securities.

(in Thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1994						
Operating revenues	$717,280	$260,252	$337,602	$182,140	$116,704	$1,613,978
Income from operations	$134,415	$107,656	$14,159	$41,464	$(22,819)	$274,875
Equity in earnings of affiliates						7,325
Interest expense						(5,590)
Other income, net						10,312
Income before income taxes						$286,922
Identifiable assets	$349,194	$425,789	$187,052	$326,645	$100,028	$1,388,708
Investments in affiliates						170,754
Corporate assets						137,406
Total assets						$1,696,868
Depreciation and amortization of property, plant, and equipment	$18,086	$8,123	$5,075	$26,912	$3,754	$61,950
Amortization of goodwill and other intangibles	$800	$7,725		$12,149	$4,719	$25,393
Capital expenditures	$20,681	$8,881	$23,028	$18,860	$3,192	$74,642
1993						
Operating revenues	$692,287	$177,415	$332,506	$185,721	$110,262	$1,498,191
Income (loss) from operations	$123,151	$65,306	$18,011	$41,618	$(9,106)	$238,980
Equity in losses of affiliates						(1,994)
Interest expense						(4,983)
Other income, net						31,464
Income before income taxes						$263,467
Identifiable assets	$329,799	$144,622	$152,462	$416,589	$71,059	$1,114,531
Investments in affiliates						155,251
Corporate assets						352,722
Total assets						$1,622,504
Depreciation and amortization of property, plant, and equipment	$16,768	$5,276	$6,266	$28,052	$3,181	$59,543
Amortization of goodwill and other intangibles	$800	$670		$12,247	$2,499	$16,216
Capital expenditures	$24,422	$6,599	$4,472	$38,802	$4,844	$79,139
1992						
Operating revenues	$677,645	$162,154	$347,067	$174,098	$89,903	$1,450,867
Income (loss) from operations	$120,794	$54,568	$23,882	$38,967	$(6,099)	$232,112
Equity in losses of affiliates						(11,730)
Interest expense						(6,385)
Other income, net						10,199
Income before income taxes						$224,196
Identifiable assets	$315,522	$143,357	$141,008	$397,504	$77,365	$1,074,756
Investments in affiliates						162,410
Corporate assets						330,955
Total assets						$1,568,121
Depreciation and amortization of property, plant, and equipment	$16,724	$6,289	$6,252	$26,994	$2,963	$59,222
Amortization of goodwill and other intangibles	$745	$664		$11,574	$2,495	$15,478
Capital expenditures	$13,653	$2,844	$2,732	$36,900	$2,760	$58,889

WORTHINGTON INDUSTRIES, INC. (MAY)

Industry Segment Data

In thousands May 31	1994	1993	1992	1991	1990
Net Sales					
Processed steel products	$920,199	$767,682	$668,578	$611,589	$650,715
Custom products	249,459	241,916	217,731	186,105	166,540
Cast products	115,476	103,644	85,037	73,834	97,084
	$1,285,134	$1,113,242	$971,346	$871,528	$914,339
Operating Income					
Processed steel products	$98,062	$79,187	$70,317	$63,840	$72,182
Custom products	15,334	20,360	13,948	6,789	9,027
Cast products	6,016	6,544	4,092	791	9,076
	119,412	106,091	88,357	71,420	90,285
Miscellaneous income	389	598	1,289	1,039	1,200
Interest expense	(3,017)	(3,421)	(3,986)	(4,807)	(4,245)
Equity in net income of unconsolidated affiliates	18,851	4,587	5,440	7,416	1,655
	$135,635	$107,855	$91,100	$75,068	$88,895
Identifiable Assets					
Processed steel products	$471,458	$428,891	$410,051	$365,337	$333,787
Custom products	138,015	117,856	105,483	94,909	91,613
Cast products	75,733	69,843	62,350	65,311	59,560
Corporate	61,406	59,674	41,273	36,617	74,008
	746,612	676,264	619,157	562,174	558,968
Investment in unconsolidated affiliates	51,961	17,945	8,803	8,051	2,929
	$798,573	$694,209	$627,960	$570,225	$561,897
Depreciation Expense					
Processed steel products	$19,075	$17,745	$15,927	$13,230	$10,983
Custom products	7,047	5,598	5,233	4,990	4,246
Cast products	4,095	3,900	3,879	3,943	3,932
Corporate	2,168	1,961	1,848	1,680	1,629
	$32,385	$29,204	$26,887	$23,843	$20,790
Capital Expenditures					
Processed steel products	$14,693	$9,876	$28,081	$45,554	$33,561
Custom products	19,086	12,640	9,345	8,527	12,653
Cast products	6,787	5,283	1,631	6,098	7,166
Corporate	5,988	1,341	6,063	3,140	1,178
	$46,554	$29,140	$45,120	$63,319	$54,558

( ) Indicates deduction

Corporate expenses are allocated on a consistent basis among industry segments over the five-year period. Earnings are before income taxes and cumulative effect of accounting changes. "Capital expenditures" are net of normal disposals and exclude amounts in connection with acquisitions and divestitures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H–Industry Segment Data

Industry segment descriptions on the inside front cover, Company locations on page 34, and segment data on page 25 of the annual report are an integral part of these financial statements.

Sales for processed steel products and custom products include $161,602,000 in 1994, $130,483,000 in 1993 and $125,723,000 in 1992 to a major automobile manufacturer purchasing through decentralized divisions and subsidiaries in different geographical areas.

Geographic Areas

ABBOTT LABORATORIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11–Industry Segment and Geographic Area Information (dollars in millions)

The Company's principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products and services. These products have been classified into the following industry segments:

Pharmaceutical and nutritional products–Included are a broad line of adult and pediatric pharmaceuticals and nutritionals, which are sold primarily on the prescription or recommendation of physicians or other health care professionals; consumer products; agricultural and chemical products; and bulk pharmaceuticals.

Hospital and laboratory products–Included are diagnostic systems for blood banks, hospitals, commercial laboratories and alternate-care testing sites; intravenous and irrigation fluids and related administration equipment; drugs and drug delivery systems; anesthetics; critical care products; and other medical specialty products for hospitals and alternate-care sites.

In the following tables, net sales by industry segment and geographic area include both sales to customers, as reported in the Consolidated Statement of Earnings, and inter-area sales (for geographic areas) at sales prices which approximate market. Operating profit excludes corporate expenses.

Industry Segments (a)	1994	1993	1992
Net Sales			
Pharmaceutical and nutritional	$4,951	$4,389	$4,025
Hospital and laboratory	4,205	4,019	3,827
Total	$9,156	$8,408	$7,852
Operating Profit			
Pharmaceutical and nutritional (b)	$1,385	$1,211	$879
Hospital and laboratory (c)	818	794	703
Operating Profit	2,203	2,005	1,582
Corporate expenses, net (d)	23	46	104
Interest (income) expense, net	13	16	11
Gain on sale of investment	—	—	(272)
Earnings Before Taxes	$2,167	$1,943	$1,739
Identifiable Assets			
Pharmaceutical and nutritional	$3,415	$3,046	$2,616
Hospital and laboratory	3,596	3,296	3,108
General corporate (e)	1,513	1,347	1,217
Total	$8,524	$7,689	$6,941
Capital Expenditures			
Pharmaceutical and nutritional	$478	$475	$502
Hospital and laboratory	447	474	500
General corporate	4	4	5
Total	$929	$953	$1,007
Depreciation and Amortization			
Pharmaceutical and nutritional	$213	$189	$161
Hospital and laboratory	295	292	264
General corporate	3	3	3
Total	$511	$484	$428

Geographic Areas (a)	1994	1993	1992
Net Sales			
United States:			
Domestic and export customers	$5,758	$5,347	$4,918
Inter-area	1,143	932	930
Total United States	6,901	6,279	5,848
Latin America	490	413	339
Europe, Mideast and Africa	1,662	1,554	1,649
Pacific, Far East and Canada	1,246	1,094	946
Eliminations	(1,143)	(932)	(930)
Total	$9,156	$8,408	$7,852
Operating Profit (b) and (c)			
United States	$1,558	$1,390	$1,114
Latin America	131	106	70
Europe, Mideast and Africa	352	301	260
Pacific, Far East and Canada	182	189	143
Eliminations	(20)	19	(5)
Total	$2,203	$2,005	$1,582
Identifiable Assets, Excluding General Corporate Assets (c)			
United States	$4,809	$4,492	$4,017
Latin America	274	228	188
Europe, Mideast and Africa	1,298	1,096	1,089
Pacific, Far East and Canada	827	703	627
Eliminations	(197)	(177)	(197)
Total	$7,011	$6,342	$5,724

(a) Net sales and operating profit were not significantly impacted by the fluctuations in the U.S. dollar in 1994. In 1993, net sales and operating profit were unfavorably affected by the relatively stronger U.S. dollar, while 1992 was favorably affected by the relatively weaker U.S. dollar.

(b) The 1992 operating profit was unfavorably impacted by the pretax charge of $215 for costs associated with the voluntary withdrawal of temafloxacin from the worldwide market. The 1993 operating profit was favorably impacted by the $70 pretax credit resulting from resolution of various contingencies related to the withdrawal. The operating profit for 1993 was unfavorably impacted by the $104 pretax charge reflecting the settlement of certain claims and legal proceedings in connection with the sale and marketing of infant formula products. In 1994, a similar pretax amount was charged against earnings for other pending and settled litigation.

(c) The 1993 operating profit was favorably impacted by the gain on the sale of the peritoneal dialysis product line.

(d) Corporate expenses not allocated to segments include results from joint ventures, minority interest expenses, net foreign exchange losses, and other general corporate income and expense. Net foreign exchange losses were $30.8 in 1994, $41.3 in 1993, and $93.2 in 1992.

(e) General corporate assets are principally prepaid income taxes, cash and cash equivalent, investment securities, and investments in joint ventures.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14 (In Part): Business Segments

Information about the company's operations in different geographic areas for the three years ended December 31, 1994 is as follows:

(In Thousands of Dollars)	U.S.	Canada	Brazil	Corporate and Other	Consolidated Total
Net Sales to Unaffiliated Customers:					
1994	$4,370,317	$694,104	$253,771	$ —	$5,318,192
1993	4,185,388	610,947	272,498	—	5,068,833
1992	4,114,609	532,623	279,239	—	4,926,471
Income from Operations:					
1994	$125,145	$133,930	$54,097	$(47,172)	$266,000
1993	(18,063)	53,674	78,604	(47,823)	66,392
1992	(11,418)	37,778	91,221	(44,210)	73,371
Identifiable Assets:					
1994	$7,254,363	$747,225	$546,464	$415,576	$8,963,628
1993	7,454,454	744,631	513,099	430,585	9,142,769
1992	7,588,478	718,695	593,261	480,998	9,381,432
Capital Expenditures:					
1994	$258,899	$14,029	$48,796	$7,148	$328,872
1993	486,074	65,035	49,083	5,588	605,780
1992	638,392	16,974	55,422	7,501	718,289
Depreciation Expense and Cost of Timber Harvested:					
1994	$387,483	$32,338	$25,153	$13,723	$458,697
1993	376,456	32,513	21,838	12,627	443,434
1992	342,769	33,366	20,437	13,928	410,500

For the year ended December 31, 1994, net export sales to foreign countries totaled $544 million. As of December 31, 1994, net assets located outside of the United States included in the consolidated financial statements were approximately $849 million. Of this amount, $492 million, which includes $51 million of cash and cash equivalents, is owned by the company's Brazilian subsidiary.

SNAP-ON INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 Reporting Segments

The Corporation operates predominantly in a single industry as a manufacturer and distributor of tools and other products for the professional mechanic. The Corporation is a multinational corporation with operations in many countries including the United States, Australia, Belgium, Brazil, Canada, France, Germany, Japan, Mexico, Puerto Rico, the Netherlands, New Zealand, Taiwan and the United Kingdom. Transfers between geographic areas primarily represent inter-company export sales of U.S.-produced goods and are accounted for based on established sales prices between the related companies. In computing earnings from operations for foreign subsidiaries, no allocations of general corporate expenses, interest or income taxes have been made.

Identifiable assets of European and other foreign subsidiaries are those assets related to the operations of those subsidiaries. United States assets consist of all other operating assets of the Corporation.

($000)	United States	Europe	Other Foreign Subsidiaries	Eliminations	Consolidated
1994					
Sales to unaffiliated customers	$862,189	$191,648	$140,459	$ —	$1,194,296
Transfers between geographic areas	149,986	2,670	9,793	(162,449)	—
Total revenue	1,012,175	194,318	150,252	(162,449)	1,194,296
Earnings from operations	126,834	21,444	14,217	(4,600)	157,895
Identifiable assets	$1,015,208	$137,340	$108,083	$(25,726)	$1,234,905
1993					
Sales to unaffiliated customers	$807,469	$198,941	$125,600	$ —	$1,132,010
Transfers between geographic areas	105,846	2,595	10,486	(118,927)	—
Total revenue	913,315	201,536	136,086	(118,927)	1,132,010
Earnings from operations	112,324	22,023	14,560	(1,974)	146,933
Identifiable assets	$1,007,269	$140,735	$96,655	$(25,726)	$1,218,933
1992					
Sales to unaffiliated customers	$770,766	$111,598	$101,436	$ —	$983,800
Transfers between geographic areas	73,062	2,185	7,324	(82,571)	—
Total revenue	843,828	113,783	108,760	(82,571)	983,800
Earnings from operations	105,874	2,157	8,133	(489)	115,675
Identifiable assets	$978,902	$120,295	$98,737	$(25,521)	$1,172,413

TRW INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Geographic Segments

TRW's operations are located primarily in the United States and Europe. Interarea sales are not significant to the total revenue of any geographic area. Restructuring gains(losses) included in operating profit were: $4 million in 1993 and $45 million in 1992 for United States operations; $(7) million in 1993 and $23 million in 1992 for Europe; and $(2) million in 1993 and $(28) million in 1992 for Other.

In millions	1994	1993	1992
Sales			
United States	$6,290	$5,643	$5,676
Europe	1,965	1,522	1,917
Other	832	783	718
	$9,087	$7,948	$8,311
Operating profit			
United States	$528	$461	$382
Europe	143	50	176
Other	76	71	43
	$747	$582	$601
Identifiable assets			
United States	$3,444	$3,536	$3,540
Europe	1,289	1,047	1,113
Other	531	461	459
Identifiable assets	5,264	5,044	5,112
Eliminations	(78)	(81)	(76)
Company Staff assets	380	317	353
Investments in affiliates	70	56	69
Total assets	$5,636	$5,336	$5,458

MAXUS ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Geographic Data

The Company is engaged primarily in the exploration for and the production and sale of crude oil and natural gas.

Sales, operating profit and identifiable assets by geographic area were as follows:

	Sales and Operating Revenues		
	1994	1993	1992
United States	$276.9	$380.7	$294.2
Indonesia	381.2	406.0	424.2
South America	24.0		
Sales and operating revenues	$682.1	$786.7	$718.4

	Operating Profit		
	1994	1993	1992
United States	$48.0	$39.3	$52.7
Indonesia	138.5	169.1	188.4
South America	(2.6)	(13.0)	(11.4)
Other Foreign	(11.6)	(20.4)	(31.8)
	172.3	175.0	197.9
Equity earnings	5.2	10.2	8.7
General corporate income and (expenses)	(117.6)	(50.5)	57.0
Interest and debt expenses	(96.7)	(88.4)	(86.9)
Restructuring	101.0		
Operating profit	$64.2	$46.3	$176.7

	Identifiable Assets		
	1994	1993	1992
United States	$327.0	$521.1	$535.6
Indonesia	647.5	665.5	597.2
South America	394.2	218.9	74.8
Other Foreign	11.4	3.9	6.1
	1,290.1	1,409.4	1,213.7
Corporate assets	416.6	489.7	521.9
Investments in Associated Companies		88.3	76.0
Identifiable assets	$1,706.7	$1,987.4	$1,811.6

Net foreign assets were $701.4 million at December 31, 1994, $673.5 million at December 31, 1993 and $507.9 million at December 31, 1992.

Results of foreign operations, after applicable local taxes, amounted to net income of $63.9 million in 1994, $77.8 million in 1993 and $78.1 million in 1992.

Sales to three customers in 1994, 1993 and 1992 each represented 10% or more of consolidated sales:

	1994	1993	1992
Diamond Shamrock, Inc.	$13.2	$38.4	$79.9
Mitsubishi Corporation	66.5	83.3	95.0
Indonesian Government	145.8	148.0	141.1

Major Customers

CERIDIAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share data)

Note G (In Part): Segment Data

Major Customers

Revenue in 1994, 1993 and 1992, respectively, included sales under prime contracts or subcontracts to the U.S. government of $226, $232, and $239 and the Canadian government of $173, $137 and $95, substantially all of which are reported in the Defense Electronics segment. Of the sales to the Canadian government, $154 in 1994, $105 in 1993 and $69 in 1992 were from the Iris contract.

Export Sales

JOSLYN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12–Segment Of Business Reporting:

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

Electrical Switches and Controls: Includes power quality protection and control products and power switches and related controls. Electronic protection equipment, high-voltage vacuum products, sulfur hexafluoride switches and switchgear are designed and produced primarily for use by the electric utility, telecommunications and industrial markets. These products include electronic transient suppression devices, telecommunications test instrumentation, monitor systems and control equipment, electric switching and interrupting systems, vacuum capacitors, relays, starters, contactors, fire pump controllers, dehydration products and electrical connector accessories.

Utility Line Products: Includes power and communi cation line protection and support products. Construction and maintenance materials and electric power protection equipment are designed and produced principally for electric power distribution and for overhead telephone communication lines. These products are manufactured and assembled from metal, polymers, fiberglass, engineered materials and porcelain and include hardware, earth anchors, power surge arresters, cable accessories, electrical terminating devices and other products. In addition, the corporation sells complementary goods produced by other manufacturers.

Intersegment sales are not material. Foreign operations of the corporation, which are not material, are located in Canada and primarily serve markets in that country. No single customer accounts for 10% or more of the corporation's sales. General corporate assets are principally cash and cash equivalents, land and deferred tax and other assets.

Financial information by business segments is as follows:

(in thousands)	Net Customer Sales	Income from Business Segments	Identifiable Assets	Depreciation	Capital Expenditures
1994					
Electrical Switches and Controls	$132,776	$14,879	$69,226	$3,278	$2,200
Utility Line Products	83,401	5,467	31,365	1,905	1,112
General Corporate			76,913	130	122
Consolidated	$216,177	$20,346	$177,504	$5,313	$3,434
1993					
Electrical Switches and Controls	$142,677	$22,781	$74,649	$3,134	$2,092
Utility Line Products	75,030	5,012	31,391	1,912	1,305
General Corporate			56,242	132	31
Consolidated	$217,707	$27,793	$162,282	$5,178	$3,428
1992					
Electrical Switches and Controls	$136,217	$21,276	$71,648	$2,780	$1,804
Utility Line Products	81,672	6,679	33,614	2,025	898
General Corporate			52,897	154	40
Consolidated	$217,889	$27,955	$158,159	$4,959	$2,742

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

(in thousands)

	1994	1993	1992
Asia	$10,173	$11,249	$13,584
Europe	8,391	9,333	7,047
Western Hemisphere	11,310	9,635	8,708
Other	1,645	2,805	3,148
Total	$31,519	$33,022	$32,487

THE TORO COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Segment Data

The company classifies its operations into one industry segment, yard maintenance equipment. International sales were $130,053,000, $129,422,000 and $132,154,000 for 1994, 1993 and 1992, respectively. Of these amounts export sales were $109,344,000, $111,263,000 and $109,076,000 for 1994, 1993 and 1992, respectively. Export sales by geographic area are as follows:

(Dollars in thousands) Years ended July 31	1994	1993	1992
Europe	$48,976	$53,992	$52,867
Canada	28,039	26,573	25,326
Pacific Rim	27,535	26,208	26,343
Other	4,794	4,490	4,540
Total export sales	$109,344	$111,263	$109,076

Sales to any particular customer were not significant.

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.

For 1994, 141 survey companies were on a 52-53 week fiscal year.

During 1994, six companies changed the date of their fiscal year-end. Examples of such changes and examples of fiscal year definitions follow.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1994	**1993**	**1992**	**1991**
January	23	23	21	21
February	12	11	14	14
March	15	16	15	12
April	8	7	7	7
May	16	16	16	16
June	59	62	60	62
July	14	15	15	16
August	15	16	18	18
September	37	35	33	31
October	22	22	22	21
November	17	17	18	18
Subtotal	**238**	**240**	**239**	**236**
December	362	360	361	364
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year Ending

AVNET, INC.

Consolidated Balance Sheets

July 1, 1994	June 30, 1993

Consolidated Statements of Income

Year Ended	July 1, 1994	June 30, 1993	June 30, 1992

Consolidated Statements of Cash Flows

Year Ended	July 1, 1994	June 30, 1993	June 30, 1992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fiscal Year—Effective in fiscal 1994, the Company changed its fiscal year to end on the Friday closest to June 30th. The impact on the current year of one additional day of operations was not material.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Avnet, Inc.
Great Neck, New York

We have audited the accompanying consolidated balance sheets of Avnet, Inc. and Subsidiaries as of July 1, 1994 and June 30, 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended July 1, 1994. 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 Avnet, Inc. and Subsidiaries as of July 1, 1994 and June 30, 1993, and the results of their operations and their cash flows for each of the three years in the period ended July 1, 1994 in conformity with generally accepted accounting principles.

BERGEN BRUNSWIG CORPORATION

Consolidated Balance Sheets

September 30, 1994	August 31, 1993

Statements of Consolidated Earnings and Retained Earnings

Years Ended:	September 30, 1994	August 31, 1993	August 31, 1992

Statements of Consolidated Cash Flows

Years Ended:	September 30, 1994	August 31, 1993	August 31, 1992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Effective October 1, 1993, the Company changed its fiscal year from a twelve-month period ending August 31 to a twelve-month period ending September 30. The Statements of Consolidated Earnings and Retained Earnings and Cash Flows are presented for the twelve months ended September 30, 1994, exclusive of September 1993 results, and for the twelve-month periods ended August 31, 1993 and 1992.

The Statement of Consolidated Earnings for the month of September 1993 is as follows:

Dollars in thousands, except for per share amounts	
Net sales and other revenues	$ 598,147
Costs and expenses:	
Cost of sales	566,796
Distribution, selling, general and administrative expenses	27,175
Total costs and expenses	593,971
Operating earnings	4,176
Net interest expense	1,541
Earnings before taxes on income	2,635
Taxes on income	1,140
Earnings before cumulative effect of a change in accounting principle	1,495
Cumulative effect on prior years (as of September 1, 1993) of a change in method of accounting for income taxes	(8,713)
Net loss	$ (7,218)
Earnings (loss) per common and common equivalent share:	
Earnings before cumulative effect of a change in accounting principle	$ .04
Cumulative effect on prior years (as of September 1, 1993) of a change in method of accounting for income taxes	(.24)
Net loss per share	$ (.20)
Weighted average number of common and common equivalent shares	36,496,019

During the month of September 1993, net cash and cash equivalents of $27.1 million and $6.2 million was provided by operations and financing activities, respectively, and net cash and cash equivalents of $2.5 million was used for investing activities. The resulting $30.8 million net increase in cash and cash equivalents during the period increased the $55.0 million of cash and cash equivalents at September 1, 1993 to $85.8 million at September 30, 1993.

Certain reclassifications have been made in the consolidated financial statements and notes to conform to fiscal 1994 presentations.

INDEPENDENT AUDITORS' REPORT

To the Directors and Shareowners of Bergen Brunswig Corporation:

We have audited the accompanying consolidated balance sheets of Bergen Brunswig Corporation and subsidiaries as of September 30, 1994 and August 31, 1993 and the related statements of consolidated earnings and retained earnings and cash flows for the year ended September 30, 1994 and the years ended August 31, 1993 and 1992. 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 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 Bergen Brunswig Corporation and subsidiaries of September 30, 1994 and August 31, 1993, and the results of their operations and their cash flows for the year ended September 30, 1994 and the years ended August 31, 1993 and 1992, in conformity with generally accepted accounting principles.

As discussed in Note 7 of Notes to Consolidated Financial Statements, the Company changed its method of accounting for income taxes in September 1993.

LIZ CLAIBORNE, INC.

Consolidated Balance Sheets

December 31, 1994	December 25, 1993

Consolidated Statements of Income

Fiscal Years Ended		
(53 weeks) December 31, 1994	(52 weeks) December 25, 1993	(52 weeks) December 26, 1992

Consolidated Statements of Cash Flows

Fiscal Years Ended		
(53 weeks) December 31, 1994	(52 weeks) December 25, 1993	(52 weeks) December 26, 1992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Fiscal year. In 1994, the Company changed its fiscal year to the Saturday closest to December 31 from the last Saturday in December. This change had no effect on the 1994 year end date. The 1994 fiscal year reflects a 53-week period, while the 1993 and 1992 fiscal years each reflect a 52-week period.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Liz Claiborne, Inc.:

We have audited the accompanying consolidated balance sheets of Liz Claiborne, Inc. and subsidiaries as of December 31, 1994 and December 25, 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 1994. 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 Liz Claiborne, Inc. and subsidiaries as of December 31, 1994 and December 25, 1993, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, effective December 27, 1992, the Company changed its method of accounting for income taxes.

GUILFORD MILLS, INC.

Consolidated Balance Sheets

	October 2, 1994	September 26, 1993	June 27, 1993

Consolidated Statements of Income

For the Year Ended October 2, 1994, the Transition Quarter from June 28, 1993 to September 26, 1993, the Years Ended June 27, 1993 and June 28, 1992

October 2, 1994 (53 Weeks)	September 26, 1993 (13 Weeks)	June 27, 1993 (52 Weeks)	June 28, 1992 (52 Weeks)

Consolidated Statements of Stockholders' Investment

For the Year Ended October 2, 1994, the Transition Quarter from June 28, 1993 to September 26, 1993, the Years Ended June 27, 1993 and June 28, 1992

Consolidated Statements of Cash Flows

For the Year Ended October 2, 1994, the Transition Quarter from June 28, 1993 to September 26, 1993, the Years Ended June 27, 1993 and June 28, 1992

(In thousands)

October 2, 1994 (53 Weeks)	September 26, 1993 (13 Weeks)	June 27, 1993 (52 Weeks)	June 28, 1992 (52 Weeks)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share data)

1 (In Part): Summary of Accounting Policies

Change in Fiscal Year – On August 19, 1993, the Board of Directors approved a change in the Company's year for financial reporting purposes from a fiscal year ending on the Sunday nearest to June 30 to the Sunday nearest to September 30. The change in the fiscal year reflects a natural movement of the manufacturing cycle closer to the needs and desires of the Company's customers. The consolidated financial statements include presentation of the transition quarter beginning on June 28, 1993 and ending on September 26, 1993. Proforma data for the quarters ended September 26, 1993 and September 27, 1992 consists of the following:

	1993	1992 (unaudited)
Net sales	$141,450	$151,722
Gross profit	22,902	28,623
Operating Income	214	12,637
Income tax provision (benefit)	(1,400)	3,700
Income (loss) before cumulative effect of change in accounting principle	(1,087)	6,818
Cumulative effect on prior years of change in accounting principle	3,100	—
Net Income	2,013	6,818
Income (loss) per share before cumulative effect of change in accounting principle:		
Primary	(0.08)	.50
Fully Diluted	(0.08)	.47
Net Income Per Share:		
Primary	.15	.50
Fully Diluted	.15	.47

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Guilford Mills, Inc.:

We have audited the accompanying consolidated balance sheets of Guilford Mills, Inc. and subsidiaries as of October 2, 1994, September 26, 1993 and June 27, 1993, and the related consolidated statements of income, stockholders' investment and cash flows for the year ended October 2, 1994, the transition quarter from June 28, 1993 to September 26, 1993 and the years ended June 27, 1993 and June 28, 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 financial position of Guilford Mills, Inc. and subsidiaries as of October 2, 1994, September 26, 1993 and June 27, 1993, and the results of their operations and their cash flows for the year ended October 2, 1994, the transition quarter from June 28, 1993 to September 26, 1993 and the years ended June 27, 1993 and June 28, 1992 in conformity with generally accepted accounting principles.

As explained in Note 7 to the financial statements, effective June 28, 1993, the Company changed its method of accounting for income taxes as required by Statement of Financial Accounting Standards No. 109.

Definition of Fiscal Year

AMERICAN STORES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Fiscal Year

The fiscal year of the Company ends on the Saturday nearest to January 31. All references herein to "1994", "1993" and "1992" represent the 52-week fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993, respectively.

CAMPBELL SOUP COMPANY

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 July 31. There were 52 weeks in fiscal 1994 and fiscal 1993 and 53 weeks in fiscal 1992.

CONCORD FABRICS INC.

NOTES TO FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies:
6. The Company operates on a 52-53 week year ending on the Sunday closest to August 31; each of the three years in the period ended August 28, 1994 comprised fifty-two weeks.

ADOLPH COORS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies
Fiscal year: The fiscal year of the Company is a 52- or 53-week period ending on the last Sunday in December. Fiscal years for the financial statements included herein ended December 25, 1994; December 26, 1993; and December 27, 1992, and were 52-week periods.

FLUKE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies
Accounting Period. Fluke Corporation utilizes a 52/53-week fiscal year ending on the last Friday in April. In 1993, the Company changed its fiscal year-end to the last Friday in April. Fiscal 1993 was a seven-month transition period ending on April 30, 1993. Prior to fiscal 1993, the Company utilized a 52/53-week fiscal year ending on the last Friday in September. The accompanying financial statements include audited consolidated financial statements for the seven-month transition period ended April 30, 1993.

MUNSINGWEAR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fiscal Year
The Company's fiscal year ends on the first Saturday following December 31. The fiscal year ended January 7, 1995 was a 53-week year, while the fiscal years ended January 1, 1994 and January 2, 1993 each had 52 weeks.

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 (317 companies) or a statement showing changes only in retained earnings (40 companies). 199 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 1994, 22 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

	1994	1993	1992	1991
To nearest dollar	43	48	45	51
To nearest thousand dollars:				
Omitting 000	352	349	362	357
Presenting 000	22	27	28	31
To nearest million dollars	183	176	165	161
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.

Computation of earnings per share.

Subsequent events.

Quarterly data.

Segment information.

Financial instruments.

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

	1994	1993	1992	1991
General reference only	416	384	374	374
General and direct references	182	210	221	222
Direct reference only	1	3	2	1
No reference to notes	1	3	3	3
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			
	1994	1993	1992	1991
Consolidation policy	591	586	584	584
Depreciation methods	582	581	577	580
Inventory pricing	556	559	553	557
Property	496	502	490	489
Cash equivalents	483	474	469	464
Earnings per share calculation	460	454	445	434
Interperiod tax allocation	410	431	438	458
Amortization of intangibles	380	385	382	376
Translation of foreign currency	320	313	281	267
Financial instruments	282	251	176	139
Employee benefits	181	178	156	157
Fiscal years	145	150	126	117
Research and development costs	153	143	143	142
Environmental costs	111	87	33	—
Capitalization of interest	79	78	77	70
Credit risk concentrations	71	73	63	58

AST RESEARCH INC (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of AST Research, Inc. (the "Company") and its wholly and majority owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The Company operates within a conventional 52/53 week accounting fiscal year. The Company's fiscal year ends on the Saturday closest to June 30th, with the exception of certain foreign subsidiaries which operate on a June 30th fiscal year end. The fiscal years ended July 2, 1994, July 3, 1993 and June 27, 1992 included 52, 53 and 52 weeks, respectively.

Business

The company designs, manufactures, markets, services and supports a broad line of personal computers, including desktop, server, and notebook systems marketed under the Advantage!, Ascentia, Bravo, Premmia and Manhattan SMP brand names.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, certificates of deposit, time deposits, commercial paper, money market preferred stocks, short-term government obligations and other money market instruments. The Company invests its excess cash in deposits with major international banks, in government securities and money market securities of investment grade companies from a variety of industries and, therefore, bears minimal risk. These securities have original maturity dates not exceeding three months. Such investments are stated at cost, which approximates fair value, and are considered cash equivalents for purposes of reporting cash flows.

Inventories

Inventories are stated at the lower of cost, determined on a first-in first-out basis, or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

Buildings	40 years
Machinery and equipment	3–5 years
Furniture and fixtures	3–5 years
Leasehold improvements	Shorter of 5 years or remaining term of the lease

Goodwill

Goodwill, representing the excess of the purchase price over the fair value of the net assets of the acquired entities, is being amortized on a straight-line basis over the period of expected benefit of ten years. Total amortization of goodwill recorded for fiscal years 1994, 1993 and 1992 was $3.8 million, $.1 million and $.1 million, respectively. The carrying value of goodwill will be reviewed periodically based on the undiscounted cash flows of the entity acquired over the remaining amortization period. Should this review indicate that goodwill will not be recoverable, the Company's carrying value of the goodwill will be reduced by the estimated shortfall of undiscounted cash flows.

Revenue Recognition

The Company recognizes revenue from product sales at the time of shipment. The Company has established programs which, under specified conditions, provide price protection rights and/or enable its customers to return product. The effect of these programs is estimated and current period sales and cost of sales are reduced accordingly.

Warranty Costs

The Company provides, by a current charge to income, an amount it estimates will be needed to cover future warranty obligations for products sold during the year. The accrued liability for warranty costs is included in the caption "Other accrued liabilities" in the accompanying consolidated balance sheets.

Engineering and Development

Engineering and development costs are expensed as incurred. Substantially all engineering and development expenses are related to developing new products and designing significant improvements to existing products.

Deferred Grants

During fiscal 1994, the Company secured various grants from the Industrial Development Authority of the Republic of Ireland. These grants include employment, training and capital grants and extend through December 1996. Employment grants are amortized into income over a period of one year. Employee training grants are recognized in income in the period in which the training costs are incurred by the Company. Grants for the acquisition of property and equipment are deferred and recognized in income on the same basis as the related property and equipment is depreciated. During fiscal 1994, the Company recorded approximately $5.1 million in grant funds received or receivable and at July 2, 1994, $4.5 million of this amount remains as a deferred credit and is included in "Other accrued liabilities" in the accompanying consolidated balance sheet.

The Company has a ten year contingent liability to repay, in whole or in part, grants received under certain circumstances pursuant to the Capital and Employment Grant Agreements which began February 1994. In addition, the Company has a five year contingent liability under the Employment Grant Agreement from date of first payment to repay employment grants paid in respect to any job if such job remains vacant for a period in excess of six calendar months. At July 2, 1994, the Company also has a one million Irish pounds (U.S. $1.5 million) ten year contingent liability related to the purchase of the manufacturing facility which began in November 1993 and is payable in the event that the Company terminates operations in Ireland.

Foreign Currency

The financial statements of the Company's foreign subsidiaries are remeasured into the U.S. dollar functional currency for consolidation and reporting purposes. Current rates of exchange are used to remeasure monetary assets and liabilities and historical rates of exchange are used for nonmonetary assets and related elements of expense. Revenue and other expense elements are remeasured at rates which approximate the rates in effect on the transaction dates. Gains and losses resulting from this remeasurement process are recognized currently in the consolidated statements of operations.

The Company utilizes forward exchange contracts and local currency borrowings to hedge its exposure to exchange rate fluctuations in connection with monetary assets and liabilities held in foreign currencies. The carrying amounts of the forward exchange contracts equal their fair value and are adjusted at each balance sheet date for changes in exchange rates. Realized and unrealized gains and losses on the forward contracts are recognized currently in income, and any premium or discount is recognized over the life of the contract. The Company held forward exchange contracts maturing at various dates through January 1995 with a face value of approximately $143.0 million at July 2, 1994 and $57.5 million at July 3, 1993. Unrealized losses associated with these forward contracts aggregating $4.8 million at July 2, 1994 and unrealized gains aggregating $1.1 million at July 3, 1993 are included in the Company's consolidated statements of operations for those periods. For the years ended July 2, 1994, July 3, 1993 and June 27, 1992, a net foreign currency transaction loss of $2,097,000, gain of $555,000 and loss of $1,958,000, respectively, is included in the caption "Other expense, net" in the accompanying consolidated statements of operations.

Income Taxes

The provision (benefit) for income taxes is computed on the pretax income (loss) of the consolidated entities located within each taxing country based on the current tax law. Deferred taxes result from the future tax consequences associated with temporary differences between the amount of assets and liabilities recorded for tax and financial accounting purposes. Incremental United States income taxes have not been provided on $198 million of cumulative undistributed earnings of the Company's foreign subsidiaries. These earnings, which reflect full provision for non-U.S. income taxes, are expected to be reinvested indefinitely in non-U.S. operations or to be remitted substantially free of additional tax. Accordingly, no material provision has been made for taxes that might be payable upon remittance of such earnings nor is it practicable to determine the amount of this liability.

During fiscal 1993, the Company elected the early adoption of the asset and liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). This change had no material effect on the net loss previously reported in fiscal 1993.

Per Share Information

Primary earnings (loss) per common share have been computed based upon the weighted average number of common and common equivalent shares outstanding. Common equivalent shares result from the assumed exercise of outstanding stock options that have a dilutive effect when applying the treasury stock method. The fully diluted per share calculation assumes, in addition to the above, (i) that the Company's Liquid Yield Option Notes were converted from the date of issuance with earnings being increased for interest expense, net of taxes, that would not have been incurred had conversion taken place, and (ii) the potential additional dilutive effect of stock options.

Capital Stock

The Company follows the practice of recording amounts received upon the exercise of options by crediting common stock and additional capital. No charges are reflected in the consolidated statements of operations as a result of the grant or exercise of stock options. The Company realizes an income tax benefit from the exercise or early disposition of certain stock options. This benefit results in a decrease in current income taxes payable and an increase in additional capital.

Reclassification

Certain previously reported amounts have been reclassified to conform with the current period presentation.

ANALOGIC CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies:

Significant accounting policies are as follows:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company, all wholly-owned and majority-owned subsidiaries. Investments in companies in which ownership interests range from 20 to 50 percent and the Company exercises significant influence over operating and financial policies are accounted for using the equity method. Other investments are accounted for using the cost method. All significant intercompany accounts and transactions have been eliminated.

(b) Inventories:

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(c) Property, plant and equipment:

For financial reporting purposes, depreciation and amortization are provided utilizing the straight-line method over the estimated useful lives of the assets or lease terms, whichever is shorter, and are computed principally utilizing accelerated methods for income tax purposes. Property under capital leases is amortized over the lease terms.

(d) Revenue recognition:

Revenues are recognized when a product is shipped or a service is performed.

(e) Capitalized software costs:

The Company capitalizes certain computer software costs which are amortized utilizing the straight-line method over the economic lives of the related products not to exceed three years. Accumulated amortization approximated $5,321,000 and $3,719,000 at July 31, 1994 and 1993, respectively.

(f) Warranty costs:

The Company provides for estimated warranty costs as products are shipped.

(g) Income taxes:

The Company does not provide U.S. Federal income taxes on undistributed earnings of consolidated foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations.

(h) Earnings per share:

Earnings per common and common equivalent share is based upoon the weighted average of common and common equivalent shares outstanding during the year. Primary and fully diluted earnings per share are the same. The number of common and common equivalent shares utilized in the per share computations were 12,433,821, 12,301,007 and 12,715,043 in fiscal 1994, 1993 and 1992, respectively.

(i) Cash and cash equivalents:

The Company considers all short-term deposits with a maturity of three months or less to be cash equivalents. Cash equivalents amounted to approximately $21,135,000 and $15,978,000 at July 31, 1994 and 1993, respectively.

(j) Concentration of credit risk:

The Company grants credit to domestic and foreign original equipment manufacturers, distributors, and end users. The Company places its cash investments in high credit quality instruments and, by policy, limits the amount of credit exposure to any one financial institution.

(k) Newly issued accounting standards:

In May, 1993, Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS, No. 115"), was issued. The Company will adopt SFAS No. 115 in the first quarter of fiscal 1995.

The Company's marketable securities are expected to be categorized as available-for-sale securities, as defined by SFAS No. 115, and will be reflected on the balance sheet at fair value. Unrealized holding gains and losses will be reflected as a net amount in a separate component of stockholders' equity until realized. The impact on the Company's financial position and results of operations is not expected to be material.

(l) Basis of presentation:

Certain financial statement items have been reclassified to conform to the current year's format.

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies:

The significant accounting policies followed by Briggs & Stratton Corporation and subsidiaries (the Company) in the preparation of these financial statements, as summarized below, are in conformity with generally accepted accounting policies.

Fiscal Year: During 1993, the Company changed its fiscal year from June 30 each year to a 52 or 53 week year ending on the Sunday nearest the last day of June in each year. Therefore, the 1994 fiscal year ended on July 3 (and was 53 weeks long) and the 1993 fiscal year ended on June 27 (52 weeks). Fiscal year 1992 was under the fiscal calendar which ended on June 30. All references to years relate to fiscal years rather than calendar years.

Principles of Consolidation: The consolidated financial statements include the accounts of Briggs & Stratton Corporation and its wholly owned domestic and foreign subsidiaries after elimination of intercompany accounts and transactions.

Cash and Cash Equivalents: This caption includes cash and certificates of deposit. The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Short-Term Investments: This caption represents short maturity mutual fund investments that can be readily purchased or sold using established markets. These investments are stated at cost plus accrued income which equals market value. There were none at the end of fiscal 1994.

Inventories: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of approximately 89% of total inventories at July 3, 1994, 89% at June 27, 1993 and 90% at June 30, 1992. The cost for the remaining portion of the inventories was determined using the first-in, first-out (FIFO) method. If the FIFO inventory valuation method had been used exclusively, inventories would have been $42,268,000, $40,888,000 and $39,738,000 higher in the respective years. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

Plant and Equipment and Depreciation: Plant and equipment is stated at cost, and depreciation is computed using the straight-line method at rates based upon the estimated useful lives of the assets.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income.

Investment Tax Credits: The Company follows the deferral method of accounting for the Federal investment tax credit. The credit, which was eliminated in 1986, has been recorded as an addition to accumulated depreciation and is being amortized over the estimated useful lives of the related assets via a reduction of depreciation expense.

The amounts amortized into income in each of the three years were $830,000 in 1994, $880,000 in 1993 and $1,030,000 in 1992. At the end of fiscal years 1994 and 1993, unamortized deferred investment tax credits aggregated $3,225,000 and $4,055,000, respectively.

Income Taxes: The Provision for Income Taxes includes Federal, state and foreign income taxes currently payable and those deferred or prepaid because of temporary differences between financial statement and tax bases of assets and liabilities. The Future Income Tax Benefits represent temporary differences relating to current assets and current liabilities and the Deferred Income Taxes represent temporary differences relating to noncurrent assets and liabilities.

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred. The amounts charged against income were $12,520,000 in 1994, $10,411,000 in 1993 and $10,808,000 in 1992.

Accrued Employee Benefits: The Company's life insurance program includes payment of a death benefit to beneficiaries of retired employees. The Company accrues for the estimated cost of these benefits over the estimated working life of the employee. Past service costs for all retired employees have been fully provided for and the Company also accrues for the estimated cost of supplemental retirement and death benefit agreements with executive officers.

Accrued Postretirement Health Care Obligation: During the 1994 fiscal year, the Company adopted the accounting prescribed in FAS 106 *(Postretirement Benefits Other Than Pensions).* This change and the amounts associated with it are more fully described in Note No. 9.

Foreign Currency Translation: Foreign currency balance sheet accounts are translated into United States dollars at the rate of exchange in effect at fiscal year end. Income and expenses are translated at the average rates of exchange in effect during the year. The related translation adjustments are made directly to a separate component of shareholders' investment.

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Chevron Corporation and its consolidated subsidiaries (the company) employ accounting policies that are in accordance with generally accepted accounting principles in the United States.

Subsidiary and Affiliated Companies.

The consolidated financial statements include the accounts of subsidiary companies more than 50 percent owned. Investments in and advances to affiliates in which the company has a substantial ownership interest of approximately 20 to 50 percent, or for which the company participates in policy decisions, are accounted for by the equity method. Under this accounting, remaining unamortized cost is increased or decreased by the company's share of earnings or losses after dividends.

Oil and Gas Accounting.

The successful efforts method of accounting is used for oil and gas exploration and production activities.

Derivatives.

Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Gains and losses on derivatives contracts that do not qualify as hedges are recognized currently in "Other income."

Short-Term Investments.

All short-term investments are classified as available-for-sale, and are in highly liquid debt securities. Those investments that are part of the company's cash management portfolio with original maturities of three months or less are reported as cash equivalents. The balance of the short-term investments is reported as marketable securities.

Inventories.

Crude oil, petroleum products, chemicals and other merchandise are stated at cost, using a Last-In, First-Out (LIFO) method. In the aggregate, these costs are below market. Materials and supplies generally are stated at average cost.

Properties, Plant and Equipment.

All costs for development wells, related plant and equipment (including carbon dioxide and certain other injected materials used in enhanced recovery projects), and mineral interests in oil and gas properties are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. All other exploratory wells and costs are expensed.

Proved oil and gas properties are regularly assessed for possible impairment on an aggregate worldwide portfolio basis, applying the informal "ceiling test" of the Securities and Exchange Commission. Under this method, the possibility of an impairment may exist if the aggregate net book carrying value of these properties, net of applicable deferred income taxes, exceeds the aggregate undiscounted future cash flows, after tax, from the properties, as calculated in accordance with accounting rules for supplemental information on oil and gas producing activities. In addition, high-cost, long-lead-time oil and gas projects are individually assessed prior to production start-up by comparing the recorded investment in the project with its fair market or economic value, as appropriate. Economic values are generally based on management's expectations of discounted future after-tax cash flows from the project at the time of assessment.

Depreciation and depletion (including provisions for future abandonment and restoration costs) of all capitalized costs of proved oil and gas producing properties, except mineral interests, are expensed using the unit-of-production method by individual fields as the proved developed reserves are produced. Depletion expenses for capitalized costs of proved mineral interests are recognized using the unit-of-production method by individual fields as the related proved reserves are produced. Periodic valuation provisions for impairment of capitalized costs of unproved mineral interests are expenses.

Depreciation and depletion expenses for coal are determined using the unit-of-production method as the proved reserves are produced. The capitalized costs of all other plant and equipment are depreciated or amortized over estimated useful lives. In general, the declining-balance method is used to depreciate plant and equipment in the United States; the straight-line method generally is used to depreciate international plant and equipment and to amortize all capitalized leased assets.

Gains or losses are not recognized for normal retirements of properties, plant and equipment subject to composite group amortization or depreciation. Gains or losses from abnormal retirements or sales are included in income.

Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed. Major replacements and renewals are capitalized.

Environmental Expenditures.

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed. Expenditures that create future benefits or contribute to future revenue generation are capitalized.

Liabilities related to future remediation costs are recorded when environmental assessemnts and/or cleanups are probable, and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals is generally based on the company's commitment to a formal plan of action, such as an approved remediation plan or the sale or disposal of an asset. For the company's domestic marketing facilities, the accrual is based on the probability that a future remediation commitment will be required. For oil and gas and coal producing properties, a provision is made through depreciation expense for anticipated abandonment and restoration costs at the end of the property's useful life.

For Superfund sites, the company records a liability for its share of costs when it has been named as a Potentially Responsible Party (PRP) and when an assessment or cleanup plan has been developed. This liability includes the company's own portion of the costs and also the company's portion of amounts for other PRP's when it is probable that they will not be able to pay their share of the cleanup obligation.

The company records the gross amount of its liability based on its best estimate of future costs in current dollars and using currently available technology and applying current regulations as well as the company's own internal environmental policies. Future amounts are not discounted. Probable recoveries or reimbursements are recorded as an asset.

Currency Translation.

The U.S. dollar is the functional currency for the company's consolidated operations as well as for substantially all operations of its equity method companies. For those operations, all gains or losses from currency transactions are included in income currently. The cumulative translation effects for the few equity affiliates using functional currencies other than the U.S. dollar are included in the currency translation adjustment in stockholders' equity.

Taxes.

Income taxes are accrued for retained earnings of international subsidiaries and corporate joint ventures intended to be remitted. Income taxes are not accrued for unremitted earnings of international operations that have been, or are intended to be, reinvested indefinitely.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

Basis of Presentation: The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. The Company's fiscal year ends on December 31. Certain previously reported amounts have been reclassified to conform to the 1994 presentation.

Net Income (Loss) Per Common Share: Net income (loss) per common share is computed by dividing net income (loss) applicable to common share owners by the weighted average number of common shares outstanding.

Cash Equivalents: Cash equivalents include all highly liquid debt instruments purchased with original maturities less than three months. The fair value of cash and cash equivalents approximates their carrying amount.

Concentrations of Credit Risk: The Company sells products to chain store and other customers and extends credit based on an evaluation of the customer's financial

condition, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.

Inventories: In the second quarter of 1994, the Company changed its method of accounting for inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The change did not have a significant effect on results of operations for 1994, nor is it anticipated that it will have a material effect on future periods. Prior to this change, the Company's inventory costs would not have differed significantly under the two methods. The FIFO method is the predominant accounting method used in the Company's industry.

Property, Plant and Equipment: Property, plant and equipment are stated at cost, less allowances for depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. The annual rates of depreciation are 3% to 5% for buildings and improvements and 7% to 34% for machinery and equipment. Leasehold improvements are amortized over the remaining lease term.

Franchise Assets: The Company operates under franchise agreements with The Coca-Cola Company and certain other licensers of nonalcoholic beverage products. These agreements include certain production, distribution and marketing performance obligations and give the Company the right to distribute and sell products of the franchiser within a specified territory. The majority of our products are covered by agreements which are perpetual in nature and reflect a long and ongoing relationship with The Coca-Cola Company and other franchisers. The Company's agreement covering its operations in the Netherlands is not perpetual solely due to the fact that none of The Coca-Cola Company's franchise agreements outside the United States are perpetual. The Company believes this agreement will continue to be renewed upon expiration and that the economic period of benefit is ongoing.

Franchise assets, which are stated at cost, are amortized on a straight-line basis generally over the maximum allowed estimated period of benefit of 40 years. Accumulated amortization amounted to $895 million and $738 million at December 31, 1994 and 1993, respectively.

Impairment of Long-Lived Assets: In the event that facts and circumstances indicate that the cost of franchise assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required.

Self Insurance: The Company is generally self-insured for losses and liabilities related primarily to workers' compensation, health and welfare claims, physical damage to property, business interruption resulting from certain events, and comprehensive general, product and vehicle liability. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience.

Environmental Compliance and Remediation: Environmental compliance costs include ongoing maintenance, monitoring and similar costs. Such costs are expensed as incurred. Environmental remediation costs are accrued, except to the extent costs can be capitalized, when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Environmental costs which improve the condition of a property as compared to the condition when constructed or acquired are capitalized.

Postretirement Benefits Other Than Pensions: In 1992, the Company adopted FAS 106, a method of accounting for postretirement benefits by accrual of the costs of such benefits during the periods employees provide service to the Company. The Company previously accounted for such costs as expense when incurred. The effect on years prior to 1992, representing that portion of future retiree benefit costs related to past service of both active and retired employees at the date of adoption, was reported in 1992 as the cumulative effect of an accounting change.

Income Taxes: In 1992, the Company changed its method of accounting for income taxes from the deferred method under Accounting Principles Board Statement No. 11 to the liability method by adopting FAS 109. FAS 109 requires that deferred tax liabilities and assets be established based on the difference between the financial statement and income tax bases of assets and liabilities using existing tax rates. The effect on years prior to 1992 of adopting FAS 109 was reported in 1992 as the cumulative effect of an accounting change.

Currency Translation: Assets and liabilities of the Netherlands operations are translated from Dutch florins into dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at average monthly exchange rates prevailing during the year. Resulting translation adjustments are reflected in share-owners' equity.

Derivative Financial Instruments: The Company employs (i) interest rate swaps, futures, and options, and (ii) currency forwards and options in the management of interest rate and currency exposures. The Company designates interest rate swaps, futures and options as hedges of specific debt instruments and recognizes interest differentials as adjustments to interest expense as the differentials occur. Realized and unrealized gains and losses arising from currency forwards and options are recognized in income as offsets to gains and losses resulting from the underlying hedged transactions. The Company does not hold or issue financial instruments for trading purposes.

Marketing Costs: The Company participates in various advertising and marketing programs with The Coca-Cola Company and other franchisers. Certain of the Company's costs incurred in connection with these programs are reimbursed. All costs related to marketing and advertising the Company's products are expensed in the period incurred or expensed ratably over the year in relation to revenues or certain other performance measures.

GENERAL DYNAMICS CORPORATION (DEC)

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

A. Summary of Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements include the accounts of the company and all majority-owned subsidiaries.

Accounting Estimates. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Sales and Earnings Under Long-Term Contracts and Programs. Major defense programs are accounted for using the percentage-of-completion method of accounting. The combination of estimated profit rates on similar, economically interdependent contracts is used to develop program earnings rates. These rates are applied to contract costs, including general and administrative expenses and research and development costs, as incurred for the determination of sales and operating earnings. Program earnings rates are reviewed quarterly to assess revisions in contract values and estimated costs at completion. Based on these assessments, any changes in earnings rates are made prospectively.

Any anticipated losses on contracts or programs are charged to earnings when identified. Such losses encompass all costs, including general and administrative expenses, allocable to the contracts. Revenue arising from the claims process is not recognized either as income or as an offset against a potential loss until it can be reliably estimated and its realization is probable.

General and Administrative Expenses. General and administrative expenses amounted to $234, $292 and $233 in 1994, 1993, and 1992, respectively, and are included in operating costs and expenses on the Consolidated Statement of Earnings.

Research and Development Costs. Company-sponsored research and development costs, including bid and proposal costs, amounted to $30, $33 and $32 in 1994, 1993 and 1992, respectively, and are included in operating costs and expenses on the Consolidated Statement of Earnings.

Interest, Net. Interest income was $27, $40 and $34 in 1994, 1993 and 1992, respectively. Interest expense of $6 and $22 has been allocated to discontinued businesses in 1993 and 1992, respectively, on the ratio of net assets of discontinued operations to consolidated net assets. Interest expense incurred by the company's finance operations totaled $13, $15 and $16, in 1994, 1993 and 1992, respectively, and is classified as operating costs and expenses. Interest payments for the total company were $16, $28 and $58 in 1994, 1993 and 1992, respectively.

Net Earnings Per Share. Net earnings per share are based upon the weighted average number of common shares and equivalents outstanding during each period. Common share equivalents are attributable primarily to outstanding stock options. The weighted average shares and equivalents were 63.4, 63.3 and 75.6 million in 1994, 1993 and 1992, respectively. As there is not a material difference between primary and fully diluted earnings per share, only fully diluted earnings per share are presented.

Cash and Equivalents and Marketable Securities. The company considers securities with a remaining maturity of three months or less when purchased to be cash equivalents. Marketable securities consist primarily of tax-exempt municipal bonds, investment grade commercial paper, direct obligations of the U.S. government and its agencies, preferred stock, and other short-term investment funds. The company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of January 1, 1994. The company determined all of its investments currently held in debt and equity securities are trading securities as defined by SFAS 115 and as such are reported at fair value. Prior to adoption of SFAS 115, cash and equivalents and marketable securities were stated at cost. Unrealized holding gains and losses (the adjustment to fair value) recognized in earnings during 1994 were not significant. Accordingly, the adoption of SFAS 115 did not have a significant impact on the company's financial condition or results of operations.

Accounts Receivable and Contracts in Process. Accounts receivable represent only amounts billed and currently due from customers. Recoverable costs and accrued profit related to long-term contracts and programs on which revenue has been recognized, but billings have not been presented to the customer (unbilled receivable), are included in contracts in process.

Contracts in process are stated at cost, plus estimated earnings, less progress payments. Cost includes amounts incurred, as well as amounts required to be recorded under GAAP which have been deferred. Incurred costs include production costs and related overhead, including general and administrative expenses. Deferred costs represent the portion of the company's estimated workers' compensation and retiree medical costs which is not allocable to contracts until incurred.

Real Estate Held for Development. As a result of the sale of businesses discussed in Note B, certain properties were retained by the company. These properties are carried at the lower cost or net realizable value.

Property, Plant and Equipment. Property, plant and equipment is carried at cost net of accumulated depreciation. The company primarily uses accelerated methods of depreciation for depreciable assets. Depletion of coal properties is computed using the units-of-production method.

Environmental Liabilities. The company accrues environmental costs when it is possible that a liability has been incurred and the amount can be reasonably estimated. Cleanup and other environmental exit costs related to discontinued operations are recorded at the time of disposal of the operation. Recorded liabilities have not been discounted. To the extent the U.S. government has specifically agreed to pay the ongoing maintenance and monitoring costs at sites currently used in the conduct of the company's government contracting business, these costs are treated as contract costs and recognized as incurred.

Classification. Consistent with industry practice, assets and liabilities relating to long-term contracts and programs are classified as current although a portion of these amounts is not expected to be realized within one year.

In addition, certain prior year amounts have been reclassified to conform to the current year presentation.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Accounting Policies

A summary of the significant accounting policies used in the preparation of the accompanying financial statements follows:

Principles of Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries. All significant intercompany transactions have been eliminated.

The Company's investments in 20% and 50% owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for on the equity method. Accordingly, the Company's share of the earnings of these companies is included in consolidated net income. Investments in other companies are carried at cost.

Revenue Recognition

Substantially all revenues are recognized when finished products are shipped to unaffiliated customers or services have been rendered with appropriate provision for uncollectible accounts. In conformance with oil industry practice, revenues resulting from sales of crude oil purchased from third parties are recognized net of the related acquisition costs.

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.

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. Refer to Note 4.

Properties and Plants

Properties and plants are stated at cost. Depreciation is computed on the straight line method. Accelerated depreciation is used for income tax purposes, where permitted. Refer to Note 5.

Foreign Currency Translation

Financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses and gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as a separate component of shareholders' equity. Where the U.S. dollar is the functional currency, translation adjustments are recorded in income.

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Refer to Note 15.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company to reduce interest rate and foreign exchange risks. The Company has established a control environment which includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Contracts – The differentials to be received or paid under contracts designated as hedges are recognized in income over the life of the contracts as adjustments to Interest Expense. Gains and losses on terminations of interest rate contracts are recognized as Other (Income) and Expense when terminated in conjunction with the retirement of associated debt. Gains and losses are deferred and amortized to Interest Expense over the remaining life of the associated debt to the extent that such debt remains outstanding.

Foreign Exchange Contracts – Gains and losses on contracts designated as hedges of existing assets and liabilities are accrued as exchange rates change and are recognized in income as Foreign Currency Exchange. Gains and losses on contracts designated as hedges of net investments in foreign subsidiaries are accrued as exchange rates change and are recognized in Shareholders' Equity as Foreign currency translation adjustment. Gains and losses on contracts designated as hedges of identifiable foreign currency firm commitments are deferred and included in the measurement of the related foreign currency transaction. Refer to Note 6.

Environmental Cleanup Matters

The Company expenses environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. The Company determines its liability on a site by site basis and records a liability at the time when it is probable and can be reasonably estimated. The Company's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. The estimated liability of the Company is not discounted or reduced for possible recoveries from insurance carriers. Refer to Note 17.

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred, including costs incurred under the Company's domestic cooperative advertising program with dealers and franchisees, which normally are incurred subsequent to the first time the advertising takes place. Refer to Note 10.

Per Share of Common Stock

Per share amounts have been computed based on the average number of common shares outstanding. On May 4, 1993, a two-for-one split of the Company's common stock was effected in the form of a stock dividend of one share of common stock on each share of common stock outstanding at the close of business on April 30, 1993. The Company's articles of incorporation were amended to increase the number of authorized shares of common stock from 150,000,000 to 300,000,000 following shareholder approval.

Accordingly, certain share and per share data has been restated, where required, to retroactively reflect the stock split. Common stock was credited $1 and retained earnings was charged a like amount for each share of common stock issued pursuant to the stock spit.

Reclassification

Certain items previously reported in specific financial statement captions have been reclassified to conform with the 1994 presentation.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies

Consolidation: All significant subsidiaries are consolidated. Unconsolidated subsidiaries and affiliates are included on the equity basis.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased.

Other Securities and Investments: Other securities consist of marketable securities and interest-bearing bank deposits with varied maturity dates. These securities are employed in the company's banking, captive insurance and cash management operations. Investments primarily include assets from captive insurance, banking operations, other insurance, and real estate and venture capital investments.

Effective January 1, 1994, the company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Other securities and investments classified as available-for-sale are reported at their fair value of about $160 million at December 31, 1994, with unrealized gains and losses included as a component of stockholders' equity. Held-to-maturity securities and investments are reported at amortized cost of about $350 million at December 31, 1994. Other investments totaling about $220 million are stated at cost, which approximates fair value.

Inventories: Inventories are stated at lower of cost or market, with cost generally determined on a first-in, first-out basis.

Other Assets: Other assets include goodwill, patents, other intangibles, product and other insurance claims, deferred taxes and other noncurrent assets. Intangible assets are periodically reviewed for impairment based on an assessment of future operations to ensure that they are appropriately valued. Goodwill is generally amortized on a straight-line basis over 10 years. Other intangible items are amortized on a straight-line basis over their estimated economic lives.

Effective January 1, 1994, the company adopted FASB Interpretation No. 39, which requires gross reporting for environmental and other liabilities, and for any related insurance claims. This adoption primarily increased "Other Assets" and "Other Liabilities" from year-end 1993 balances.

Deferred Income Taxes: Deferred income taxes arise from differences in bases between tax reporting and financial reporting.

Revenue Recognition: Revenue is recognized upon shipment of goods to customers and upon performance of services. The company sells a wide range of products to a diversified base of customers around the world, and therefore believes that no material concentrations of credit risk exist.

Depreciation: Depreciation of property, plant and equipment is generally computed on a straight-line basis over the estimated useful lives of these assets.

Research and Development: Research and development costs are charged to operations as incurred and totaled $1.054 billion in 1994, $1.030 billion in 1993 and $1.007 billion in 1992.

Advertising Costs: Advertising costs are generally charged to operations in the year incurred and totaled $191 million in 1994, $161 million in 1993 and $172 million in 1992.

Foreign Currency Translation: Local currencies are generally considered the functional currencies outside the United States, except in countries treated as highly inflationary. Assets and liabilities are translated at year-end exchange rates for operations in local currency environments. Income and expense items are translated at average rates of exchange prevailing during the year. Cumulative translation adjustments, recorded as a component of stockholders' equity, reduced stockholders' equity by $163 million, $331 million and $198 million at December 31, 1994, 1993 and 1992, respectively.

For operations in countries treated as highly inflationary, certain financial statement amounts are translated at historical exchange rates, with all other assets and liabilities translated at year-end exchange rates. These translation adjustments are reflected in the results of operations. They decreased net income by $20 million in 1994 and $12 million in 1993, and increased net income by $10 million in 1992.

Derivatives: Derivative financial instruments are utilized by the company to manage risks generally associated with foreign exchange rate and interest rate market volatility. The company does not hold or issue derivative financial instruments for trading purposes. The company is not a party to leveraged derivatives. Realized and unrealized gains and losses are deferred until the underlying transactions are realized. These gains and losses are recognized either as interest expense over the borrowing period for interest rate and currency swaps, as an adjustment to cost of goods sold for inventory-related hedge transactions, or in stockholders' equity for hedges of net investments in international companies. Cash flows attributable to these financial instruments are included with the cash flows from the associated hedged items.

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 1994 annual reports of the survey companies.

The requirements of *SFAS No. 106,* Postretirement Benefits, and *SFAS No. 109,* Income Taxes, are effective for fiscal years beginning after December 15, 1992. The requirements of *SFAS No. 112,* Postemployment Benefits, and *SFAS No. 115*, Investments in Debt and Equity Securities, are effective for fiscal years beginning after December 15, 1993, and therefore did not apply to all of the 1994 survey companies.

Of the 89 companies adopting *SFAS No. 109,* 81 companies did not restate prior year financial statements and 8 companies did restate prior year financial statements. Of the 44 companies adopting *SFAS No. 106,* 37 companies immediately recognized the accumulated postretirement benefit obligation and 7 companies are recognizing the obligation over a 20-year period.

Examples of accounting change disclosures follow.

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Pension actuarial assumptions	274	224	121	151
Investments (SFAS 115)	108	21		
Income taxes:				
SFAS 109 adopted	89	233	244	16
SFAS 96 adopted				16
Postemployment benefits	80	87	21	
Postretirement benefits	44	176	198	39
Depreciable lives	6	6	6	4
Inventories:				
LIFO discontinued	1	6	4	3
LIFO adopted	1	1	3	2
Capitalization of costs formerly expensed	1		2	3
Other	2	2		3
Reinsurance contracts	2	7		
Reporting entity	1	5	5	1
Depreciation method		3	3	5
Other	28	21	17	18

Investments

OGDEN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities:

Ogden adopted Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities," at January 1, 1994. In accordance with SFAS 115, prior years' financial statements have not been restated to reflect the change in accounting method. Under this Statement, the Corporation's marketable securities have been classified as available for sale and are recorded at current market value with an offsetting adjustment to Shareholders' Equity. The adoption of this Statement did not have a significant effect on the Corporation's consolidated financial position. At December 31, 1993, marketable securities were carried at the lower of cost or market. Net unrealized losses on noncurrent marketable equity securities were charged to Shareholders' Equity (see Note 2).

2. (In Part): Investments in Marketable Securities Available for Sale

Ogden adopted SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," at January 1, 1994, and has classified its marketable securities as available for sale and recorded them at current market value with an offsetting adjustment to Shareholders' Equity. In accordance with SFAS 115, prior years' financial statements have not been restated to reflect this change in accounting. At December 31, 1993, marketable securities were carried at the lower of cost or market. Net unrealized losses on noncurrent marketable equity securities were charged to Shareholders' Equity. At December 31, 1993, noncurrent marketable securities having a cost of $5,549,000 and a market value of $4,846,000 resulted in an unrealized loss of $703,000, which was offset by deferred income taxes of $276,000. The net valuation allowance of $427,000 was charged to Shareholders' Equity.

At December 31, 1994 and 1993, marketable equity and debt securities available for current operations are classified in the balance sheet as current assets while securities held for noncurrent uses such as nonqualified pension liabilities and a deferred compensation plan are classified as long-term assets.

J.C. PENNEY COMPANY, INC. (JAN)

Summary Of Significant Accounting Policies

Investments. Effective January 30, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* This statement requires that securities be classified as trading, held-to-maturity, or available-for-sale. The Company's investments, which consist of fixed income securities (principally bonds) held by JCPenney Insurance, marketable equity securities, and JCP Receivables, Inc. asset-backed certificates held by the Company, are classified as available-for-sale and are carried at fair value. Changes in unrealized gains and losses are recorded directly to stockholders' equity, net of applicable income taxes. Adoption of this statement had no material effect on the Company's investments, deferred taxes, and stockholders' equity, as reflected on the consolidated balance sheet at January 28, 1995, and had no impact on net income. In 1993 and 1992, fixed income securities and asset-backed certificates were carried at amortized cost on the consolidated balance sheets.

TRIBUNE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

New Accounting Principles – In 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The statement generally requires the Company to record investments in debt and equity securities at their market value, except for debt securities that the Company intends to hold to maturity and equity securities that are accounted for using the equity method. At December 25, 1994, the Company has recorded an unrealized gain on investments of approximately $78 million, which is net of a tax effect of $50 million, in a separate component of stockholders' investment. The market value of the Company's long-term investments in equity securities with readily determinable fair values was approximately $87 million and the cost basis was $24 million. The QUNO convertible debenture (see note 2) has a cost basis of $138.8 million and a fair value of $204 million based on the Canadian quoted market price per share of the underlying QUNO common stock at December 25, 1994. There was no effect on net income as a result of this adoption. The Company estimates that the effect of adopting this statement in 1993 would have been to increase assets by approximately $100 million and stockholders' investment by $60 million at December 26, 1993, with no impact on net income.

WALBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. (In Part): Investments.

Effective January 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This Statement requires that certain investments be classified into three separate categories: "held-to-maturity", "available-for-sale", and "trading," each with different accounting treatment. The Company has classified its investments in common stock securities as "available-for-sale" which requires the Company to record these investments at fair market value and record the gross unrealized holding gains and losses, after-tax, as a separate component of stockholders' equity. The impact of adoption at January 1, 1994 was to increase investments by approximately $3,225,000 and to increase stockholders' equity by $2,096,000, net of income taxes.

Income Taxes

ANACOMP, INC. (SEP)

Consolidated Statements of Operations

(Dollars in thousands, except per share amounts)	1994	1993	1992
Income from continuing operations before income taxes, extraordinary credit and cumulative effect of accounting change	$16,896	$22,925	$35,267
Provision for income taxes	9,100	9,900	15,400
Income from continuing operations before extraordinary credit and cumulative effect of accounting change	7,796	13,025	19,867
Loss from discontinued operations, net of income tax benefits	(841)	(1,334)	(1,646)
Extraordinary credit-Reduction of income taxes arising from utilization of tax loss carryforwards		6,900	8,700
Cumulative effect on prior years of a change in accounting for income taxes	8,000		
Net income	$14,955	$18,591	$26,921

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

In general, Anacomp's practice is to reinvest the earnings of its foreign subsidiaries in those operations and to repatriate these earnings only when it is advantageous to do so. It is expected that the amount of U.S. federal tax resulting from a repatriation will not be significant. Accordingly, deferred tax is not being recorded related to undistributed foreign earnings.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). FAS 109 mandates the liability method for computing deferred income taxes and requires that the benefit of certain loss carryforwards be estimated and recorded as an asset unless it is "more likely than not" that the benefit will not be realized. Another principal difference is that changes in tax rates and laws will be reflected in income from continuing operations in the period such changes are enacted.

Anacomp adopted FAS 109 in the first quarter of fiscal 1994. Under FAS 109, the Company has recorded a significant deferred tax asset to reflect the benefit of loss carryforwards that could not be recognized under prior accounting rules. The recording of this asset reduced goodwill and increased income as discussed in more detail in Note 10.

Note 10. (In Part): Income Taxes:

The Company adopted FAS 109 in the first quarter of fiscal 1994 and recorded a deferred tax asset of $95 million representing the federal and state tax savings from net operating loss carryforwards (NOLs) and tax credits. The Company also recorded a valuation allowance of $60 million reducing the deferred tax asset to a net $35 million. Recognition of the deferred tax asset reduced goodwill by $27 million and provided a cumulative effect increase to income of $8 million. During 1994, the net deferred tax asset was reduced to $29 million, reflecting usage of the asset to reduce income taxes payable by $6 million. Future utilization, if any, of NOLs and tax credits for which a valuation allowance was provided, will further reduce goodwill up to $37 million, increase accrued income taxes up to $13 million and increase capital in excess of par value up to $7 million.

GREIF BROS. CORPORATION (OCT)

Consolidated Statements of Earnings Retained for Use in the Business

(Dollars in thousands, except per share amounts)	1994	1993	1992
Balance at beginning of year, as previously reported	$298,356	$283,251	$261,615
Effect of restatement as required by SFAS No. 109 (see Note 5)	401	1,025	1,679
Balance at beginning of year, as restated	298,757	284,276	263,294

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" which changed the method for calculating deferred income taxes. The Company adopted SFAS No. 109, retroactive to November 1, 1990. Certain prior year amounts in the Company's financial statements have been restated.

Note 5. (In Part): Income Taxes

The Company adopted SFAS No. 109, retroactive to November 1, 1990, as discussed in Note 1 to the Consolidated Financial Statements. In connection with the adoption of SFAS No. 109, the Company recorded a one time adjustment that resulted in a reduction of the deferred income tax liability and the recording of a deferred tax asset. Certain prior year amounts in the Company's financial statements have been restated. The effect on net income was a reduction of net income of $624,000 or $.05 per share for 1993, a reduction of net income of $654,000 or $.05 per share for 1992 and an addition to net income of $1,679,000 or $.14 per share for 1991.

MINNTECH CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). This standard requires a change from the deferred method of accounting for income taxes to the asset and liability method. Under the new standard, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Under the deferred method, which was applied in fiscal 1993 and prior years, deferred income taxes were recognized for income and expense items that were reported in different years for financial reporting purposes and income tax purposes. The adoption of the new standard did not have a material impact on the Company's financial statements for the year ended March 31, 1994.

OXFORD INDUSTRIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

8. Income Taxes

Effective May 29, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," in which deferred tax liabilities and assets are determined based on the difference between financial and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The adoption did not have a significant impact on the Company's financial statements.

TRINITY INDUSTRIES, INC. (MAR)

Consolidated Income Statement

(in millions except per share data)	1994	1993	1992
Income before income taxes and cumulative effect of change in accounting for income taxes	$114.2	$72.1	$39.7
Provision (benefit) for income taxes:			
Current	45.1	25.7	20.4
Deferred	(1.3)	1.4	(5.0)
Effect of statutory rate increase	2.1		
	45.9	27.1	15.4
Income before cumulative effect of change in accounting for income taxes	68.3	45.0	24.3
Cumulative effect as of April 1, 1993 of change in accounting for income taxes	7.9		
Net income	$76.2	$45.0	$24.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part):

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This Statement requires a change from the deferred to the liability method of computing income taxes. As permitted by Statement No. 109, the Company has elected not to restate the financial statements of any prior period. The cumulative effect of applying the change in accounting method is a decrease in the Company's deferred tax liability and a nonrecurring credit of $7.9 or $0.20 per share.

Postemployment Benefits

MOSINEE PAPER CORPORATION (DEC)

Consolidated Statements of Income

($ thousands except share data)	1994	1993	1992
Income before income taxes and cumulative effect adjustment	$21,541	$17,387	$ 59
Provision for income taxes	8,500	7,750	22
Income before cumulative effect of changes in accounting principles	13,041	9,637	37
Cumulative effect of changes in accounting principles (net of income taxes)	(750)	—	(8,537)
Net income (loss)	$12,291	$ 9,637	($8,500)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. (In Part): Changes in Accounting Policies

On January 1, 1994, the company adopted Statement of Financial Accounting Standards (SFAS) No. 112 "Employers' Accounting for Postemployment Benefits" which requires the company to accrue for the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. Previously, the cost of these benefits were expensed as they were incurred. The cumulative effect of $750,000 is shown net of income taxes of $400,000 and represents the entire liability for such benefits earned through 1993. The impact of this accounting change on 1994 operating results is not material.

THE PENN TRAFFIC COMPANY (JAN)

Consolidated Statement of Operations

(All dollar amounts in thousands, except per share data)	1995	1994	1993
Income before extraordinary item and cumulative effect of change in accounting principle	$22,025	$8,176	$3,991
Extraordinary item (net of tax benefit)	(3,025)	(25,843)	(10,823)
Cumulative effect of change in accounting principle (Note 3)	(5,790)		
Net Income (loss)	13,210	(17,667)	(6,832)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. (In Part): Employee Benefit Plans

Effective January 30, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 requires employers to recognize the obligation to provide postemployment benefits on an accrual basis if certain conditions are met. The cumulative effect of the change in accounting principle determined as of January 30, 1994 reduced net income $5.8 million, net of a $4.1 million income tax benefit, for the fiscal year ended January 28, 1995.

PEPSICO, INC. (DEC)

Consolidated Statement of Income

(in millions except per share amounts)	1994	1993	1992
Income Before Income Taxes and Cumulative Effect of Accounting Changes	$2,664.4	$2,422.5	$1,898.8
Provision for Income Taxes	880.4	834.6	597.1
Income Before Cumulative Effect of Accounting Changes	$1,784.0	1,587.9	1,301.7
Cumulative Effect of Accounting Changes			
Postemployment benefits (net of income tax benefit of $29.3)	(55.3)	—	—
Pension assets (net of income tax expense of $14.5)	23.3	—	—
Postretirement benefits other than pensions (net of income tax benefit of $218.6)	—	—	(356.7)
Income taxes	—	—	(570.7)
Net Income	$1,752.0	$1,587.9	$ 374.3

NOTES TO FINANCIAL STATEMENTS

Note 13. (In Part): Pension Plans

In 1994, PepsiCo changed the method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. Under the previous accounting method, the calculation of the market-related value of assets reflected amortization of the actual capital return on assets on a straight-line basis over a five-year period. Under the new method, the calculation of the market-related value of assets reflects the long-term rate of return expected by PepsiCo and amortization of the difference between the actual return (including capital, dividends and interest) and the expected return over a five-year period. PepsiCo believes the new method is widely used in practice and preferable because it results in calculated plan asset values that more closely approximate fair value, while still mitigating the effect of annual market-value fluctuations. Under both methods, only the cumulative net unrecognized gain or loss which exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets is subject to amortization. This change resulted in a noncash benefit in 1994 of $37.8 million ($23.3 million after-tax or $0.03 per share) representing the cumulative effect of the change related to years prior to 1994 and $35.1 million in lower pension expense ($21.6 million after-tax or $0.03 per share) related to 1994 as compared to the previous accounting method. Had this change been applied retroactively, pension expense would have been reduced by $16.4 million ($10.7 million after-tax or $0.01 per share) and $9.5 million ($6.5 million after-tax or $0.01 per share) in 1993 and 1992, respectively.

Note 14. Postemployment Benefits Other Than to Retirees

Effective the beginning of 1994, PepsiCo adopted Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." SFAS 112 requires PepsiCo to accrue the cost of certain postemployment benefits to be paid to terminated or inactive employees other than retirees. The principal effect to PepsiCo results from accruing severance benefits to be provided to employees of certain business units who are terminated in the ordinary course of business over the expected service lives of the employees. Previously, these benefits were accrued upon the occurrence of an event. Severance benefits resulting from actions not in the ordinary course of business will continue to be accrued when those actions occur. The cumulative effect charge upon adoption of SFAS 112, which relates to years prior to 1994, was $84.6 million ($55.3 million after-tax or $0.07 per share). As compared to the previous accounting method, the current year impact of adopting SFAS 112 was immaterial to 1994 operating profits. PepsiCo's cash flows have been unaffected by this accounting change as PepsiCo continues to largely fund postemployment benefit costs as incurred.

Postretirement Benefits

EMERSON ELECTRIC CO. (SEP)

Consolidated Statements of Earnings

(Dollars in millions except per share amounts)	1994	1993	1992
Income before income taxes and cumulative effect of change in accounting principle	$1,427.8	$1,112.0	$1,043.9
Income taxes	523.4	403.9	381.0
Income before cumulative effect of change in accounting principle	904.4	708.1	662.9
Cumulative effect of change in accounting for postretirement benefits ($190.0 less income tax benefit of $74.1); $.52 per common share	(115.9)	—	—
Net earnings	788.5	708.1	662.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Postretirement Plans

The Company sponsors unfunded postretirement benefit plans (primarily health care) for U.S. retirees and their dependents. Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (OPEB), which requires that these costs be accrued over the service lives of employees. The Company recognized the transition obligation arising from service prior to adoption in the first quarter as a cumulative effect of change in accounting principle of $115.9 million (net of $74.1 million in related income tax benefits). In addition, prior to adoption the Company had recorded OPEB liabilities of approximately $100 million in accordance with Accounting Principles Board Opinion No. 16. The statement will not have a material impact on the Company's ongoing results of operations.

Total postretirement plan expense for the year ended September 30, 1994 was $27.3 million, consisting of $5.6 million service cost and $21.7 million interest. Prior to the adoption of SFAS No. 106, postretirement plan expense was approximately $16 million and $11 million for 1993 and 1992, respectively.

FIRST BRANDS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Accounting Changes

Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions". SFAS No. 106 requires that companies accrue the projected future cost of providing postretirement benefits during the period that employees render the services necessary to be eligible for such benefits. While the adoption of this standard does have an impact on the Company's reported net income, it does not impact First Brand's cash flow because the Company intends to continue its current practice of paying the cost of postretirement benefits as incurred. The Company has elected to recognize the effect of the change to SFAS No. 106 by amortizing the transition obligation of $16,767,000 over 20 years (see Note 12).

12 (In Part): Employee Benefits

Postretirement Benefits

In addition to providing pension benefits, the Company provides certain medical and life insurance benefits for retirees and their dependents in the United States. Employees who have reached the age of 55, and have met the Company's minimum service requirements, become eligible for these benefits. The medical and life insurance benefits available are partially contributory in nature, and it is the Company's practice to fund these benefits as incurred. Retirees outside the United States are generally covered by locally sponsored government programs.

Postretirement benefit costs for 1994 were $2,528,000, which is comprised of $381,000 for service costs, $1,307,000 for interest cost and $840,000 for the amortization of the transition obligation. Prior to adopting SFAS No. 106 postretirement benefits were expensed as claims were paid, and amounted to $646,000 and $394,000 for 1993 and 1992, respectively.

THIOKOL CORPORATION (JUN)

Consolidated Statements of Income

(in millions, except per share data)	1994	1993	1992
Income before cumulative effect of accounting changes	$60.3	$63.8	$63.0
Cumulative effect of accounting changes	(63.8)		
Net (loss) income	$ (3.5)	$63.8	$63.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Accounting Changes: Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits," as described in Notes I and J.

Note I (In Part): Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for substantially all of its retirees and eligible dependents. During 1992, the plan for providing these benefits was revised for employees retiring after February 1, 1993. The current plan is contributory, with retiree contribution levels adjusted annually, and contains other cost-sharing features including deductibles and coinsurance. Under the revised plan, the Company's cost for retiree medical is limited to a 4 percent annual increase. Current eligibility requirements include ten years of credited service after attaining age forty-five.

Effective July 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The standard requires the Company to accrue the expected cost of postretirement benefits during the period of employee eligible service rather than the prior policy of charging the costs against earnings as the amounts were paid. The Company recognized the transition obligation as a one-time charge to earnings. At July 1,1993, the accumulated postretirement obligation recognized was $81.9 million. The effect on 1994 earnings and shareholders' equity was $51.6 million ($2.59 per share) after a deferred income tax benefit of $30.3 million. A significant portion of the charge is expected to be recovered in future years as amounts are funded and allocated to Government contracts. The Company's policy is to fund the cost of retiree medical benefits at management's discretion. Voluntary Employees' Beneficiary Association (VEBA) trusts and other trusts under IRS regulations were established in 1994 for funding purposes. The amounts funded are tax deductible in the year of contribution under current IRS regulations.

Retiree medical and life insurance costs for the year ended June 30, 1994, are as follows:

(in millions)	
Service cost–attributed to service during the period	$2.4
Interest cost on accumulated postretirement benefit obligation	6.5
Retiree medical and life insurance costs	$8.9

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Amounts paid for retiree medical and life insurance costs were $6.5 and $4.8 million in 1993 and 1992, respectively.

Note J. Postemployment Benefits
Effective July 1, 1993, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This accounting standard requires the Company to accrue the expected cost of postemployment benefits provided to former employees or their beneficiaries rather than the prior policy of charging the costs against earnings as the amounts were paid. The liability, which relates to long-term disability benefits and medical benefits recognized at July 1, 1993, was $19.3 million. The cumulative effect on earnings and shareholders' equity was $12.2 million ($.61 per share) after a deferred income tax benefit of $7.1 million.

Contributions

BROWN-FORMAN CORPORATION (APR)

Consolidated Statement of Income

(Expressed in thousands, except per share amounts)	1994	1993	1992
Income before income taxes and cumulative effect of accounting changes	$257,227	$242,577	$223,692
Taxes on income	96,158	86,387	77,339
Income before cumulative effect of accounting changes	161,069	156,190	146,353
Cumulative effect of accounting changes	(32,542)	—	—
Net income	$128,527	$156,190	$146,353

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting Changes
On May 1, 1993, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." See Postretirement Benefits Other Than Pensions and Postemployment Benefits on page 32. In the third quarter of 1994, the company adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," and restated the first quarter as if adoption had occurred May 1, 1993. Accordingly, the company recorded a liability for charitable contributions unconditionally pledged but not yet paid.

The cumulative effect of these changes in accounting principles are as follows (in thousands).

	FAS Statement No.			
	106	112	116	Total
Pretax charge	$43,684	$2,817	$6,721	$53,222
Income taxes	16,955	1,104	2,621	20,680
Net charge	$26,729	$1,713	$4,100	$32,542
Net charge per common share	$.34	$.02	$.05	$.41

Effective January 31, 1994, the company adopted Statement of Position 93-7, "Reporting on Advertising Costs." This statement was issued by the American Institute of Certified Public Accountants and requires the company to prospectively capitalize and amortize direct-response advertising to better match revenues with expenses. The company continues to expense other advertising costs as incurred.

On May 1, 1993, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

The adoption of these standards did not materially affect 1994 earnings before the cumulative effect of accounting changes.

Loan Impairment

CATERPILLAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. (In Part): Accounting changes
In the first quarter of 1994, the company changed its method of computing LIFO inventories from a single pool approach to a multiple pool approach for substantially all of its inventories. The company believes that the multiple pool method results in a better matching of revenue and expenses. The cumulative effect of the change on prior years was not determinable. This change did not have a material effect on 1994 results of operations or financial position.

Effective January 1, 1994, the company adopted SFAS 114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS 118. The adoption of these standards did not have a material effect on the company's financial position or results of operations.

Start-Up Costs

INTERNATIONAL PAPER COMPANY (DEC)

Consolidated Statement of Earnings

In millions, except per share amounts	1994	1993	1992
Earnings Before Extraordinary Item and Cumulative Effect of Accounting Changes	$ 432	$ 289	$ 142
Extraordinary item-loss on extinguishment of debt (less tax benefit of $3)			(6)
Cumulative effect of change in accounting for:			
Start-up costs (less tax benefit of $50)-Note 3	(75)		
Income taxes			(50)
Net Earnings	$ 357	$ 289	$ 86

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Start-up Costs

Effective January 1, 1994, the Company changed its method of accounting for start-up costs on major projects to expense these costs as incurred. Prior to 1994, the Company capitalized these costs and amortized them over a five-year period. This change was made to increase the focus on controlling costs associated with facility start-ups.

The Company restated 1994 first-quarter results to record a pre-tax charge of $125 million ($75 million after taxes or $.60 per share) as the cumulative effect of this accounting change. This change also decreased 1994 total costs and expenses by $17 million ($10 million after taxes or $.08 per share). On a pro forma basis, this change would have increased 1992 total costs and expenses by $33 million ($20 million after taxes or $.17 per share) and would have had no impact on 1993.

Contracts

LYNCH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting and Reporting Policies

Accounting for Long-Term Contracts: During 1994, Lynch Machinery, Inc., a 90% owned subsidiary of the Company, entered into and began production on two contracts, one with a company located in China and the other with a company located in South Korea to produce nine glass forming machines over a two-year period. The contracts call for total payments of approximately $23.9 million, for which advances of approximately $4.6 million have been received. Further payments under the contracts are secured by irrevocable letters of credit in favor of Lynch Machinery.

Lynch Machinery has also entered into two additional contracts to produce two more glass forming machines; one to be shipped to China and one in the United States. The contracts call for payments of $4.4 million, however, production has not commenced.

Because of the specialized nature of these machines and the period of time needed to complete production and shipping, in 1994 Lynch Machinery changed its method of accounting for long-term contracts from the completed contract method to the percentage of completion method, based upon costs incurred, which provides a better matching of costs and revenues for this type of contract. Prior to 1994, these contracts were not a significant portion of Lynch Machinery's business. As required, all previously issued financial statements have been restated to reflect this change in accounting.

The effect of this change in accounting was to increase (decrease) revenue by $2.7 million, $(292,000) and $1.0 million and increase net income by $444,000 ($.33 per share), $14,000 ($.01 per share) and $220,000 ($.17 per share) for the years ended December 31, 1994, 1993 and 1992, respectively. In addition, retained earnings at January 1, 1992, has been increased by $16,000 restated to reflect the cumulative effect of this change.

Reporting Period For Subsidiaries

MAYTAG CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Principles of Consolidation: The consolidated financial statements include the accounts and transactions of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Prior to the quarter ended December 31, 1994, the Company's European subsidiaries were consolidated as of a date one month earlier than subsidiaries in the United States. In the fourth quarter of 1994, this one-month reporting lag was eliminated and European results for the quarter ended December 31, 1994 included activity for four months. The effect of this change increased net sales by $25.2 million in the fourth quarter of 1994, and the impact on net income was not significant.

Calculation of Oil and Gas Asset Ceiling Test

ORYX ENERGY COMPANY (DEC)

Consolidated Statements of Income

(Millions of Dollars, Except Per Share Amounts)	1994	1993	1992
Income (loss) before extraordinary item and cumulative effect of accounting change	$ (65)	$ (93)	$73
Extraordinary item	(12)	(7)	—
Cumulative effect of accounting change (Note 7)	(948)	—	(59)
Net Income (Loss)	$(1,025)	$(100)	$14

NOTES TO FINANCIAL STATEMENTS

7. Accounting Change

Effective January 1, 1994, the Company changed its accounting policy for calculating the oil and gas asset ceiling test from a total company basis to an individual field basis. The Company believes the field basis is preferable because it is the way the Company manages its business. The basis underlying the calculation of the cumulative effect of this change is a comparison of the undiscounted pre-tax cash flows of each field's then existing proved reserves to its net book value at each quarter-end during the life of the asset. This subjects the ceiling test valuation to the lowest quarter-end price experienced over the asset's life. Prior to this change, the Company compared its worldwide undiscounted standardized measure of future net cash flows from estimated production of proved oil and gas reserves before income taxes to its net proved property, plant and equipment. As a result of this change, the Company recognized a non-cash cumulative effect charge of $948 million ($1,355 million pre-tax) to 1994 results. Excluding the cumulative charge, the Company's net loss for 1994 was $77 million ($.68 per share before extraordinary item and $.80 per share after extraordinary item). On a pro forma basis, the Company's reported net earnings for 1993 and 1992 would have been a net loss of $699 million ($7.18 per share before extraordinary item and $7.25 per share after extraordinary item) and a net loss of $145 million ($1.78 per share) if this accounting change had been enacted prior to 1992.

Maintenance Turnaround Costs

TERRA INDUSTRIES INC. (DEC)

Consolidated Statements of Income

(in thousands, except per-share amounts)	1994	1993	1992
Income before extraordinary items and cumulative effect of accounting changes	$56,245	$22,845	$ 8,764
Extraordinary loss on early retirement of debt	(3,060)	—	—
Cumulative effect of accounting changes	3,376	—	22,265
Net Income	$56,561	$22,845	$31,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Accounting Changes

Coincident with the 1994 acquisition of AMCI (see Note 2 - Acquisitions), the Corporation changed its method of accounting for major maintenance turnarounds at manufacturing facilities and recorded a $4.2 million credit, net of income taxes of $2.7 million, as the cumulative effect at January 1, 1994 of the change in accounting principle. Excluding the cumulative effect, this change increased net income for 1994 by approximately $1.0 million or $0.01 per share. Under the new accounting principle the Corporation defers the cost of turnarounds when incurred and charges the costs to production ratably over the period until the next scheduled turnaround. Previously, estimated costs of turnarounds were charged to product costs over the period preceding each scheduled major maintenance, generally two years. The change was made to charge turnaround costs to production over the period most clearly benefited by the turnaround.

In 1994, the Corporation adopted Statement of Financial Accounting Standard (SFAS) 112, "Employers' Accounting for Postemployment Benefits." This change required the Corporation to recognize future liabilities of $0.8 million, net of income taxes of $0.5 million, for benefits to disabled employees. In 1992, the Corporation adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." In connection with the adoption of SFAS 106, the Corporation elected to recognize immediately the prior service cost of providing post-retirement medical benefits during the active service of the employee. This resulted in a one-time charge of $5.7 million, net of income taxes of $3.5 million. Net income from continuing operations for 1992 was reduced $0.7 million from that which would have been reported under the Corporation's previous accounting method. The pro forma effect of the change on prior years is not determinable. Prior to the changes in accounting for SFAS 106 and 112, the Corporation recognized expense in the period the benefits were paid. These benefit costs were not significant in prior years.

Asset Impairment

UNOCAL CORPORATION (DEC)

Consolidated Statement Of Earnings

Dollars in millions except per share amounts	1994	1993	1992
Earnings before income taxes and cumulative effect of accounting changes	$294	$611	$349
Income taxes	170	268	153
Earnings before cumulative effect of accounting changes	124	343	196
Cumulative effect of accounting changes	(277)	(130)	24
Net Earnings (loss)	$(153)	$213	$220

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Accounting Changes

Effective January 1, 1994, the company changed its accounting policy for recognizing the reduction in value of its producing oil and gas properties. Under the new policy, the company evaluates properties for impairment on a field-by-field basis instead of the country-by-country basis previously used. In the opinion of management, the use of a lower level of aggregation for applying the impairment test to producing oil and gas properties is preferable. The cumulative effect of the accounting change resulted in a charge to earnings of $447 million pretax ($277 million after tax or $1.14 per common share) in the first quarter. The charge reflected the reduction in value of certain oil and gas properties in the U.S. from which the estimated undiscounted future cash flows are less than the current net book values of the properties. As a result of the property write-downs, the company's depreciation and depletion expense in 1994 was reduced by approximately $61 million ($38 million after tax). On a pro forma basis, net earnings for 1993 and 1992 would have increased by $31 million and $27 million, respectively, as a result of the accounting change. Pro forma net earnings would have been $244 million (86 cents per common share) in 1993 and $247 million (97 cents per common share) in 1992.

Equity Method Adopted

WORTHINGTON INDUSTRIES, INC. (MAY)

Consolidated Statements of Shareholders' Equity

Dollars in thousands, except per share	1994	1993	1992
Retained Earnings			
Balance at beginning of year	$356,567	$320,078	$288,194
Restatement—Note J	—	—	4,056
Balance at beginning of year—restated	356,567	320,078	292,250
Net earnings	84,853	67,948	54,973
Cash dividends, (per share: $.367 in 1994; $.327 in 1993; $.305 in 1992)	(33,161)	(29,329)	(27,127)
Purchase and retirement of common shares, (1,436 in 1994; 181,200 in 1993; 1,791 in 1992)	(25)	(2,130)	(18)
Balance at May 31	$408,234	$356,567	$320,078

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Note J—Investment in Unconsolidated Affiliates

The Company's investments in affiliated companies which are not majority owned or controlled are accounted for using the equity method. Investments carried at equity and the percentage interest owned consist of Worthington Specialty Processing (50%), London Industries, Inc. (60%), Worthington Armstrong Venture (50%), TWB Company (50%) and Rouge Steel Company (28%).

During 1994, the Company increased its voting ownership in Rouge, an integrated steel mill located in Detroit, Michigan. Accordingly, the Company changed its method of carrying the investment from cost to equity as required by generally accepted accounting principles. The financial statements of prior years have been restated back to fiscal 1990, the year of the original investment in Rouge. The effect of the restatement was to increase 1993 net income by $1,745,000 or $.02 per share and to decrease 1992 net income by $562,000 or $.01 per share. Included in the 1992 restatement was equity in Rouge's cumulative effect of adopting FASB Statements 106 and 109, which decreased net income by $3,058,000 or $.03 per share. Certain reclassifications were made to prior years' amounts to conform with the 1994 presentation.

The Company's equity interest in Rouge for the restatement periods is shown at 25%. After Rouge's initial public offering (IPO), completed in April 1994, the Company's equity interest is 28%. Rouge sold 5,601,800 shares in the IPO for $123,000,000. The Company recorded its increased equity in Rouge from the IPO ($10,046,000), which is net of deferred income taxes ($5,405,000), as additional paid-in capital. The market value of the Company's investment in Rouge at May 31, 1994, was approximately $156 million.

At May 31, 1994, the Company's share of the underlying net assets of Rouge exceeded the investment by $10,667,000. The excess is being amortized into income by increasing equity in net income of unconsolidated affiliates using the straight-line method over 14 years.

Financial information for affiliated companies accounted for by the equity method is as follows:

In thousands	1994	1993	1992
Current assets	$ 514,407	$ 363,745	
Noncurrent assets	153,937	123,550	
Current liabilities	267,372	168,741	
Noncurrent liabilities	166,862	256,923	
Minority interest	21,199	9,857	
Net sales	1,189,470	1,070,560	$984,572
Gross margin	106,309	58,700	48,491
Income before accounting changes	64,152	15,887	17,783
Net income	$ 64,152	$ 15,887	$ (1,470)

The Company's share of undistributed earnings of unconsolidated affiliates included in consolidated retained earnings was $24,571,000 at May 31, 1994.

Future Accounting Changes

DRESSER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N (In Part): Postretirement Benefits

Postemployment Benefits

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, *Employers' Accounting for Postemployment Benefits* (SFAS 112), which requires that accrual accounting be used for the cost of benefits provided to former or inactive employees who have not yet retired. Such benefits include salary continuation, disability, severance and health care. Under SFAS 112, the cost of benefits must be accrued either over the employee's service period or at the date of an event that gives rise to the benefits. The Company currently accrues the cost of some benefits covered by SFAS 112 but not all.

The Company will adopt SFAS 112 in the first quarter of 1995, and will incur a charge to earnings of approximately $25 million ($16 million, net of tax or $.09 per share) for the cumulative effect of the accounting change.

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principal Accounting Policies

Accounting standards not adopted. The Accounting Standards Executive Committee of the AICPA adopted Statement of Position 94-6 on December 30, 1994. This SOP, Disclosure of Certain Significant Risks and Uncertainties and Financial Flexibility, is effective for fiscal years ending after December 15, 1995. The disclosures required by the SOP focus primarily on the nature of an entity's operations, the use of estimates in preparation of financial statements and on risks and uncertainties that could significantly affect the amounts reported in the financial statements. FMC plans to adopt the statement for the annual report to shareholders for 1995 but it is not possible, at this time, to determine what additional disclosures may be necessary with respect to reasonably possible risks and uncertainties that could significantly affect the amounts reported in the 1995 financial statements.

SARA LEE CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Advertising

During 1994, the American Institute of Certified Public Accountants issued Statement of Position 93-7, "Reporting on Advertising Costs," which will be effective for the corporation's fiscal 1995 statements. The statement primarily requires that the cost of advertising be expensed no later than the first time the advertising takes place. The impact of adopting this statement is not expected to have a material impact upon the corporation's results of operations or financial position.

SCOPE INDUSTRIES (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities:

The non-current portfolio of marketable securities is stated at the lower of aggregate cost or market at the balance sheet date and consists of common stocks, bonds and other investments. Interest income is accrued as earned.

Realized gains or losses are determined on the specific identification method and are reflected in income. Net unrealized losses on non-current marketable securities are recorded directly in a separate shareowners' equity account except those unrealized losses that are deemed to be other than temporary, which are reflected in income.

For the fiscal year beginning July 1, 1994, the Company will be subject to the provisions of Statement of Financial Accounting Standards No. 115 (SFAS 115), Accounting for Certain Investments in Debt and Equity Securities. SFAS 115 changes the accounting treatment afforded the Company's fixed maturity investments and equity investments that have readily determinable fair values. If SFAS 115 had been adopted as of June 30, 1994, the Company's marketable securities and shareowners' equity would have been increased by approximately $5,730,000 and the statement of operations would not have been affected.

TALLEY INDUSTRIES, INC.(DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Standards

In October 1994 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 119 "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments" effective for the Company at December 31, 1994. The Company does not presently have nor has it had any derivative type instruments since mid-1993 when a single interest rate swap agreement was terminated, which transaction is fully disclosed in the notes to the financial statements.

The Financial Accounting Standards Board has issued a Proposed Statement of Financial Accounting Standards titled "Accounting for the Impairment of Long-Lived Assets" (the "Proposed Statement") which, if adopted in its present form, could have a material impact on the results of operations and financial position of the Company in the year of adoption. The application of this Proposed Statement, which will be effective for fiscal years beginning after June 15, 1995, would require the Company to carry real estate projects no longer under development, at the lower of cost or fair value less cost to sell. If the sum of the expected future net cash flow (undiscounted and without interest charges) is less than the carrying amount of undeveloped projects, an impairment loss would be recognized. The Company, consistent with existing generally accepted accounting principles, currently states the majority of its land and land under development at the lower of cost or net realizable value. The Financial Accounting Standards Board has not yet published the final statement which would allow quantification of the effect on the Company.

Other pronouncements issued by the Financial Accounting Standards Board with future effective dates are either not applicable or not material to the consolidated financial statements of the Company.

WEYERHAEUSER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Prospective Accounting Changes

In May 1993, the FASB issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," which requires creditors to measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate.

In October 1994, the FASB issued SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures," which amended SFAS No. 114 to allow creditors to use existing methods for recognizing interest on impaired loans and also requires creditors to disclose certain information about how interest income was recognized on impaired loans.

Both of these pronouncements become effective for financial statements for fiscal years beginning after December 15, 1994. The company believes that the future adoption of these pronouncements will not have a significant impact on results of operations or financial position.

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.

Examples of consolidation practice disclosures follow.

TABLE 1-9: NONHOMOGENEOUS OPERATIONS CONSOLIDATED

	Number of Companies			
	1994	1993	1992	1991
Credit	48	50	54	56
Insurance	28	30	35	31
Leasing	8	11	11	13
Banks	5	6	6	10
Real Estate	11	15	16	21

Consolidation Includes All Subsidiaries

AT&T CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Consolidation

Ownership of affiliates	Accounting method
More than 50%	Fully consolidated
20% to 50%	Equity method
Less than 20%	Cost method

The fiscal year of essentially all AT&T operations ends December 31.

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries, ventures and partnerships in which a controlling interest is held, including at December 31, 1994, ARCO Chemical Company (ACC), of which ARCO owned 83.3% of the outstanding shares, and Vastar Resources, Inc. (Vastar), of which ARCO owned 82.3% of the outstanding shares. ARCO also consolidates its interests in undivided interest pipeline companies and in oil and gas and coal mining joint ventures. ARCO uses the equity method of accounting for companies where its ownership is between 20% and 50% and for other ventures and partnerships in which less than a controlling interest is held.

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles. The significant accounting policies of the Company are described below.

Principles Of Consolidation. The Consolidated Financial Statements include the accounts of Cabot Corporation and majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control does not exist and investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. Intercompany transactions have been eliminated.

INTERNATIONAL PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidation

The consolidated financial statements include the accounts of International Paper Company and its subsidiaries (the Company). Minority interest represents minority shareholders' proportionate share of the equity in several of the Company's consolidated subsidiaries, primarily IP Timberlands, Ltd. (IPT), Zanders Feinpapiere AG, Georgetown Equipment Leasing Associates, L.P. and Trout Creek Equipment Leasing, L.P. All significant intercompany balances and transactions are eliminated. Investments in affiliated companies owned 20% to 50%, and the Company's investment in Scitex Corporation Ltd. where the Company has the ability to exercise significant influence, are accounted for by the equity method. The Company's share of affiliates' earnings is included in the consolidated statement of earnings.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation—The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. Interests in mining joint ventures in which the Corporation owns more than 50 percent are reported using the proportional consolidation method. Interests in other majority-owned subsidiaries are reported using the full consolidation method; the consolidated financial statements include 100 percent of the assets and liabilities of these subsidiaries and the ownership interests of minority participants are recorded as "Minority interests in consolidated subsidiaries." All material intercompany balances and transactions are eliminated.

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

TEMPLE-INLAND INC. (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation

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

The consolidated financial statements include the accounts of Temple-Inland Inc. (the "Company") and all subsidiaries in which the Company has more than a 50 percent equity ownership. All material intercompany amounts and transactions have been eliminated. Certain amounts have been reclassified to conform with current year's classification.

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.

TWIN DISC, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Consolidation Principles—The consolidated financial statements include the accounts of Twin Disc, Incorporated and its subsidiaries, all of which are wholly owned. Certain foreign subsidaries are included based on fiscal years ending May 31, to facilitate prompt reporting of consolidated accounts. All significant intercompany transactions have been eliminated.

Consolidation Includes Nonhomogeneous Operations

CATERPILLAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

A. Basis of consolidation

The accompanying financial statements include the accounts of Caterpillar Inc. and all its subsidiaries.

Affiliated companies (50% interest or less) are accounted for by the equity method. Accordingly, the company's share of the affiliates' profit or loss is included in Statement 1 as "Equity in profit (loss) of affiliated companies" and the company's investments in these affiliates, including its share of their retained profits, are included in Statement 3 as "Investments in affiliated companies." Financial information of the affiliated companies is included in note 12.

Information in the accompanying financial statements and supplemental consolidating data, where applicable, has been grouped as follows:

Consolidated—represents the consolidated data of Caterpillar Inc. and subsidiaries, in accordance with Statement of Financial Accounting Standards (SFAS) 94.

Machinery and Engines—company operations excluding the Financial Products subsidiaries; consists primarily of the company's manufacturing, marketing, and parts distribution operations.

Financial Products—the company's finance and insurance subsidiaries, primarily Caterpillar Financial Services Corporation and Caterpillar Insurance Co. Ltd.

Certain amounts for prior years have been reclassified to conform with the current year financial statement presentation.

CONAGRA, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Consolidation

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%-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.

The Company's financial businesses, Geldermann, Inc. (a commodity brokerage business) and Monfort Finance Company (a finance company) are included in the consolidated financial statements. Certain information on the debt financing of these businesses is set forth in Notes 7 and 8.

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(a) Principles of consolidation: The consolidated financial statements include the accounts of Fleetwood Enterprises, Inc. and its majority owned subsidiaries. The term "Company" used herein means Fleetwood Enterprises, Inc. and its subsidiaries, unless otherwise indicated by the context. All material intercompany accounts and transactions have been eliminated.

On March 10, 1994, North River Homes (North River) was merged with and into the Company and 312,000 shares of the Company's Common stock were issued in exchange for all of the outstanding stock of North River. The merger was accounted for as an immaterial pooling of interest.

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

The finance subsidiary provides wholesale and retail financing for the Company's recreational vehicle products. The insurance subsidiary was formed primarily for the purpose of insuring products liability risks of the parent company and its subsidiaries. The real estate subsidiaries were formed for the purposes of participating in site-built housing construction or in the development of planned communities using manufactured housing. As of April 24, 1994, the investment in real estate consisted of raw land, and there were no real estate development activities in process. Condensed financial information for these subsidiaries, excluding intercompany eliminations, is as follows:

Amounts in thousands	1994	1993	1992
Finance subsidiary:			
Finance receivables (net)	$384,057	$335,147	$272,579
Cash and temporary investments	60,386,	43,587	29,847
Other assets	11,777	7,780	6,507
Commercial paper borrowings and long-term debt	360,601	299,549	233,953
Other liabilities	17,145	15,866	15,078
Revenues	44,244	40,329	36,595
Interest expense	15,593	14,979	14,827
Operating costs	16,135	14,993	13,717
Net income	7,375	6,197	4,815
Insurance subsidiary:			
Investments	$54,803	$68,517	$61,702
Other assets	9,586	6,300	5,311
Reserves for losses	45,343	40,226	37,612
Other liabilities	9,772	7,730	7,058
Net premiums	12,320	11,454	9,133
Underwriting income	5,185	2,620	1,264
Investment income	6,818	4,658	3,716
Net income	7,414	4,518	3,059
Real estate subsidiaries:			
Land held for future development	$6,800	$6,734	$6,634
Other assets	1,282	1,348	1,447
Notes payable—parent company	795	795	795
Net loss	—	—	(103)

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Basis of Presentation. The consolidated financial statements include the accounts of McDonnell Douglas Corporation 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.

The consolidating balance sheet represents the adding together of all affiliates—companies that McDonnell Douglas Corporation directly or indirectly controls, either through majority ownership or otherwise. Financial data and related measurements are presented in the following categories:

MDC Aerospace. This represents the consolidation of McDonnell Douglas Corporation and its subsidiaries other than MDFS and McDonnell Douglas Realty Company (MDRC), which are presented on a one-line basis as Investment in Financial Services.

Financial Services. This represents the consolidation of MDFS and its subsidiaries and MDRC, both wholly-owned subsidiaries of MDC.

McDonnell Douglas Corporation and Consolidated Subsidiaries. This represents the consolidation of McDonnell Douglas Corporation and all its subsidiaries (MDC).

Certain Subsidiaries Not Consolidated

AMERICAN BRANDS, INC, (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries, other than the Franklin Life Insurance business which is accounted for as a discontinued operation. Fiscal year ends of certain subsidiaries of Gallaher Limited and ACCO World Corporation are November 30 to facilitate year-end closing.

Consolidated financial statements have been restated for discontinued operations. The accompanying notes present amounts related only to continuing operations.

GOULDS PUMPS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

1 (In Part): Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of all wholly owned and majority-owned subsidiaries after elimination of all significant intercompany transactions with the exception of an advance of funds to the Company's European subsidiary, which is more fully explained in Note 2. Investments in affiliates, representing 20% to 50% of the ownership of such companies, are accounted for under the equity method. Investments in affiliates, representing less than 20% of the ownership of such companies, are accounted for under the cost method.

The majority of the foreign subsidiaries have fiscal year-ends of October 31 or November 30 to facilitate consolidation of the subsidiaries' financial statements.

2. Investment in Vogel

During December 1994, which is subsequent to the year-end of the Company's subsidiary Goulds Pumps Europe, B.V. (GPE), all of the outstanding common stock of Pumpenfabrik Ernst Vogel AG (Vogel) was acquired for $17,800. Bank and capital lease debt of Vogel assumed in connection with this acquisition totalling $34,548 will be included in the Company's consolidated balance sheet in 1995 when the detail balance sheet of Vogel is consolidated in the financial statements under the purchase accounting method. The Company borrowed $17,800 in December and loaned the funds to GPE for this purchase. For reporting purposes, Vogel will have an October 31 year-end, like that of its direct parent, GPE. Although this acquisition occurred subsequent to GPE's year-end, the investment in Vogel has been recorded as a line item on the accompanying consolidated balance sheet since the borrowing for the acquisition had been completed, together with the corresponding advance to the Company's subsidiary. The Company's preliminary pro forma unaudited results of operations for the year ended December 31, 1994, assuming acquisition of Vogel and related bank borrowings as of the beginning of the year, would have increased net sales by approximately $62,000 and net earnings per share would have decreased by approximately $.06. Adjustments made in arriving at preliminary pro forma unaudited results of operations included additional interest expense of $801 related to the $17,800 of acquisition debt at 4.5%, related income tax adjustments, and amortization of goodwill of $538 over 30 years.Consolidating the preliminary purchase transaction amounts would have affected the financial position of the Company at December 31, 1994 by increasing total assets and liabilities by $59,711.

The unaudited pro forma results of operations are not necessarily indicative of the results that would have been attained had the Vogel business been acquired at the beginning of the period nor are they consistent with management's expectations of performance in the future. Established in 1909 as a family-owned business, Vogel has a leading market share of pump sales in Austria, with established sales channels in Germany, Poland, and Hungary.

Partnerships Consolidated

THE DUN & BRADSTREET CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation. The consolidated financial statements include those of the Company, its subsidiaries and partnerships in which the Company has a controlling interest. Investments in companies over which the Company has influence but not a controlling interest are carried at equity. The effects of all significant intercompany transactions have been eliminated.

The financial statements of IMS International, Inc. (IMS), Dun & Bradstreet Software, Gartner Group, Inc. (Gartner Group) and subsidiaries outside the United States and Canada reflect a fiscal year ending November 30 to facilitate timely reporting of the Company's consolidated financial results.

Note 10. Investment Partnerships

During 1993, three of the Company's subsidiaries contributed assets and third-party investors contributed cash ($125 million) to a limited partnership. One of the Company's subsidiaries serves as general partner. All the other partners, including the third-party investors, hold limited partner interests. The partnership, which is a separate and distinct legal entity, is in the business of licensing database assets and computer software.

In addition, during 1993, the Company participated in the formation of a limited partnership to invest in various securities including those of the Company. One of the Company's subsidiaries serves as managing general partner. Third-party investors hold limited partner and special investors interests totaling $500 million. The special investors are entitled to a specified return on their investments. Funds raised by the partnership provided a source of the financing for the Company's repurchase of 8.3 million shares of its common stock.

For financial reporting purposes, the assets, liabilities, results of operations and cash flows of the partnerships described above are included in the Company's consolidated financial statements. The third-parties investments in these partnerships at December 31, 1994 and 1993 totaled approximately $625 million and are reflected in other liabilities and minority interests. Third-parties share of partnerships results of operations, including specified returns, is reflected in other expense-net.

50% Owned Company Consolidated

ENVIROQ CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

D. Principles of Consolidation.

The consolidated financial statements include the accounts of Enviroq Corporation, its wholly-owned subsidiaries, and its 50% owned subsidiary, Sprayroq, Inc. Sprayroq, Inc. is included on a consolidated basis because the Company has a majority voting interest of the stock of Sprayroq, Inc. All significant intercompany transactions are eliminated. The equity method of accounting is used for the Company's investment in its unconsolidated affiliate.

Increase In Ownership Interest

ERLY INDUSTRIES INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of consolidation—The accompanying consolidated financial statements include the accounts of ERLY Industries Inc. and its subsidiaries (the "Company" or "ERLY"). All significant intercompany accounts, intercompany profits and intercompany transactions are eliminated. As discussed in Note 3, substantially all of the assets and liabilities of ERLY's wholly owned subsidiary, Comet Rice, Inc. ("Comet"), were acquired by American Rice, Inc. ("ARI") on May 26, 1993, in a transaction accounted for as a reverse acquisition by its subsidiary, Comet. Prior to the transaction, ERLY owned 48% of the voting rights of ARI, and its investment in ARI was accounted for using the equity method. ERLY's equity in ARI's net results of operations was reflected as investment income or loss in ERLY's consolidated statements of operations. As a result of the transaction, ERLY's ownership increased to 81% of the voting rights of ARI; therefore, beginning in June 1993, ARI's balance sheet and results of operations are consolidated with ERLY's with appropriate adjustments to reflect minority interest of 19%.

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 1994 the survey companies reported 19 business combinations accounted for as a pooling of interests of which 12 such business combinations did not result in a restatement of prior year financial statements. Those companies not restating prior year financial statements for a pooling of interests usually commented that the reason for not doing so was immateriality.

Examples of business combination disclosures follow:

TABLE 1-10: BUSINESS COMBINATIONS

	1994	1993	1992	1991
Poolings of Interests				
Prior year financial statements restated	7	11	7	7
Prior year financial statements not restated	12	10	10	9
Total	**19**	**21**	**17**	**16**
Purchase Method	**215**	**200**	**182**	**160**

Pooling of Interests

ECOLAB INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Kay Merger

On December 7, 1994, the company issued approximately 4.5 million shares of its common stock in exchange for all of the outstanding common stock of Kay Chemical Company and affiliates ("Kay"). The merger has been accounted for as a pooling of interests and, accordingly, the company's consolidated financial statements have been restated to include the accounts and operations of Kay for all periods prior to the merger.

Kay was a Subchapter S Corporation for income tax purposes and, therefore did not pay U.S. federal income taxes. Kay will be included in the company's U.S. federal income tax return effective December 7, 1994, and, therefore, a net deferred tax liability and corresponding charge to income tax expense of $1.3 million or $0.02 per share was recorded upon closing to reflect Kay's net taxable temporary differences.

Separate net sales, net income and related per share amounts of the merged entities are presented in the following table. In addition, the table includes unaudited pro forma net income and net income per share amounts which reflect the elimination of the nonrecurring merger costs and expenses in 1994 and pro forma adjustments to present income taxes on the basis on which they will be reported in future periods.

(thousands, except per share)	1994	1993	1992
Net sales			
Ecolab	$1,141,005	$1,041,518	$1,004,833
Kay	66,609	60,878	52,801
Total	$1,207,614	$1,102,396	$1,057,634
Net income			
Ecolab	$86,555	$76,638	$64,270
Kay	6,207	6,849	7,218
Kay Subchapter S status	(2,298)	(2,667)	(2,797)
Pro forma net income	90,464	80,820	68,691
Merger costs and expenses	(6,900)		
Kay net deferred tax liability	(1,300)		
Kay Subchapter S status	2,298	2,667	2,797
Net income, as reported	$84,562	$83,487	$71,488
Net income per share			
As reported	$1.25	$1.24	$1.06
Pro forma	$1.34	$1.20	$1.02

Merger Costs and Expenses

In connection with the merger, $8.0 million of merger costs and expenses ($6.9 million after-tax, or $0.10 per share) were incurred and have been charged to expense in the fourth quarter of 1994. The merger costs and expenses consisted of merger related bonus payments made to Kay non-shareholder employees and legal, accounting and investment banking fees.

NOVELL, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B (In Part): Mergers, Acquisitions and Strategic Investments

In June 1994, the Company completed a merger with WordPerfect whereby WordPerfect was merged directly into Novell. Approximately 51 million shares of Novell common stock were exchanged for all of the outstanding common stock of WordPerfect. In addition, outstanding employee stock options to purchase WordPerfect common stock were converted into options to purchase approximately 8 million shares of Novell common stock. The transaction was accounted for as a pooling of interests and therefore, all prior period financial statements presented have been restated as if the merger took place at the beginning of such periods.

WordPerfect had a calendar year end and, accordingly, the WordPerfect statements of income for the years ended December 31, 1993 and 1992 have been combined with the Novell statements of income for the fiscal years ended October 30, 1993 and October 31, 1992, respectively. In order to conform WordPerfect's year end to Novell's fiscal year end, the consolidated statement of income for fiscal 1994 includes two months (November and December 1993) for WordPerfect which are also included in the consolidated statement of income for the fiscal year ended October 30, 1993. Accordingly, an adjustment has been made in fiscal 1994 to retained earnings for the duplication of net income of $40 million for such two month period. Other results of operations for such two month period of WordPerfect include net sales of $137 million, income before taxes of $35 million, and income tax benefits of $5 million.

Separate results of operations for the periods prior to the merger with WordPerfect are as follows:

(Dollars in thousands)	Unaudited Six Months Ended Apr. 30 1994	Fiscal Year Ended Oct. 30 1993	Fiscal Year Ended Oct. 31 1992
Net Sales			
Novell	$ 717,975	$1,122,896	$ 933,370
WordPerfect	305,233	707,515	579,118
Combined	$1,023,208	$1,830,411	$1,512,488
Net Income			
Novell	$ 177,726	$ (35,160)	$ 249,030
WordPerfect	13,098	75,880	72,948
Combined	$ 190,824	$ 40,720	$ 321,978
Other changes In shareholders' equity			
Novell	$ 139,862	$ 93,853	$ 90,191
WordPerfect	(37,937)	(103,594)	(181,404)
Combined	$ 101,925	$(9,741)	$ (91,213)

Purchase Method

ANACOMP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Acquisitions:

During the three years ended September 30, 1994, Anacomp made the acquisitions set forth below, each of which has been accounted for as a purchase. The consolidated financial statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

Fiscal 1994

During fiscal 1994, Anacomp acquired 16 data service centers or the related customer base (all were incorporated with existing Anacomp service centers), a computer tape products company and the customer base of a micrographics supplies business. Total consideration for these acquisitions was $39,141,000 of which approximately $24,173,000 has been assigned to excess of purchase price over net assets of businesses acquired and other intangible assets. In connection with these acquisitions, Anacomp issued $17,201,000 of its common stock and increased debt and accrued liabilities by $4,290,000.

National Business Systems

One of the acquisitions included above was the purchase of COM services customer base of 14 data service centers operated by National Business Systems (NBS). The acquisition was effective on January 3, 1994, and the acquisition cost consisted of the following:

(In thousands)	
Cash paid to NBS shareholders	$ 7,400
Common stock issued to NBS shareholders	7,400
Acquisition costs incurred	416
	$15,216

Anacomp issued 1,973,000 common shares to the NBS shareholders using $3.75 per share. As part of the acquisition agreement, Anacomp agreed to provide stock price protection at the end of two years on those shares so designated by the NBS shareholders (1,128,000 of the shares issued are subject to this protection).

On January 3, 1996, Anacomp will recalculate the share price based on the average closing price of Anacomp stock for the 30 consecutive trading days ending on December 29, 1995. The revised price will be used to adjust the number of issued shares which are subject to the price protection. However, the revised price to be used for the revaluation will not be higher than 150% or lower than 50% of the original $3.75 per share price.

If the per share price reached the 150% maximum, NBS shareholders would return 376,000 shares to Anacomp. If the per share price reached the 50% minimum, Anacomp would issue 1,128,000 additional shares to the NBS shareholders. The adjustment in the number of shares issued in connection with the NBS acquisition will not affect the recorded purchase price. Contingently issuable shares under the arrangement are measured at each reporting period based on the market price of the Company's stock at the close of the period being reported on and are considered in the computation of earnings per share.

Graham Magnetics

Another of the acquisitions included above was the purchase of Graham Acquisition Corporation (Graham), a computer tape products company. The acquisition was effective on May 4, 1994, and the acquisition cost consisted of the following:

(In thousands)	
Common stock issued to Graham shareholders	$ 8,515
Common stock issued for a note payable	1,286
Issurance of note payable to a creditor	4,240
Cash paid to retire bank debt	5,540
Acquisition costs incurred	689
	$20,270

Anacomp issued 2,129,000 common shares to the Graham shareholders based on an agreed upon per share price. However, to determine the acquisition cost, the shares were valued at the market price on the date of closing.

The contingent consideration of $7,600,000 is payable in Anacomp common stock and will be based upon defined future earnings through September 1997. The contingent consideration will be computed based upon an agreed upon formula using a minimum stock price of $2.00 per share and will be issuable beginning in January 1995. The contingent consideration is not included in the acquisition cost total above but is recorded when the future earnings requirements have been met. The contingent consideration amount for fiscal 1994 is estimated to be approximately $144,000.

Anacomp also issued 360,000 common shares to a Graham creditor at $3.57 per share to reduce the note payable to $4,240,000. The note is unsecured and bears interest at 10%. Principal payments of $345,000 plus accrued interest are payable quarterly beginning July 15, 1994. The note holder may at any time require Anacomp to prepay any amount of the note by issuing common stock. The shares of common stock to be issued will equal the prepayment amount divided by $3.57. The current outstanding note balance subject to prepayment was $3,895,000 at September 30, 1994.

Anacomp has reserved 3,800,000 shares of authorized common stock for the contingent acquisition consideration and 1,091,000 shares of authorized common stock for the contingent prepayment of the note.

CARPENTER TECHNOLOGY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition of Wholly-Owned Subsidiaries

On July 28, 1993, the Company acquired all of the outstanding shares of Aceros Fortuna, S.A. de C.V., a Mexican steel distribution company, and two affiliated companies for cash of $20.4 million, paid $2.5 million for agreements not to compete, and paid acquisition costs. In addition, the Company acquired equipment from an affiliated company in Mexico for $5.1 million.

The acquisition has been accounted for using the purchase method of accounting, and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon the fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was $8.2 million and has been recorded as goodwill, which is being amortized on a straight-line basis over 20 years. The amount of goodwill amortization for fiscal 1994 was $.4 million.

The net purchase price was allocated as follows:

(in thousands)	
Working capital, other than cash	$ 6,552
Property, plant and equipment	6,634
Other assets	2,661
Goodwill	8,213
Other liabilities	(1,737)
Purchase price, net of cash received	$22,323

The operating results of these acquired businesses have been included in the consolidated statement of income from the date of acquisition. On the basis of a pro forma consolidation of the results of operations as if the acquisition had taken place at the beginning of fiscal 1993 rather than at July 28, 1993, consolidated net sales would have been $631.5 million for fiscal 1994, and $609.8 million for fiscal 1993. Consolidated pro forma income and earnings per share, before the cumulative effect of accounting changes and extraordinary charge, would not have been materially different from the reported amounts for fiscal 1994 and 1993. Such pro forma amounts are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisition had been effective at the beginning of fiscal 1993.

THE CLOROX COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Acquisitions:

On January 31, 1994, the Company acquired and accounted for as a purchase, the *S.O.S.* products business of Miles Inc. The acquisition cost of $116,488,000 included the *S.O.S.* brand of steel wool soap pads and other cleaning products in the United States and Canada, manufacturing facilities, and certain items of working capital. Approximately $98,850,000 of the purchase price has been allocated to brands and trademarks to be amortized over 40 years. The purchase included at fair value current assets of $9,200,000, property, plant and equipment of $15,600,000, and the assumption of current liabilities of $5,300,000 and a postretirement health-care liability of $1,900,000. The acquisition was funded from cash and short term borrowings.

Results of operations after the acquisition date are included in the 1994 Statement of Consolidated Earnings. The following pro forma information has been prepared assuming that this acquisition had taken place at the beginning of the respective periods. The pro forma information includes adjustments for interest expense that would have been incurred to finance the purchase, additional depreciation based on the fair market value of the property, plant, and equipment acquired, and the amortization of intangibles arising from the transaction. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed dates.

Year ended June 30	1994	1993
In thousands, except per share amounts (unaudited)		
Net sales	$1,884,362	$1,722,845
Earnings from continuing operations	177,070	169,991
Net earnings	209,134	169,124
Earnings per common share from continuing operations	3.29	3.11
Net earnings per common share	3.89	3.09

In addition, 1994 acquisitions included various foreign investments of $25,949,000. During 1993, the Company purchased an additional 39 percent interest in its joint venture in Argentina bringing total ownership to 90 percent. This investment had been accounted for on the equity method and as of June 30, 1993 was consolidated.

DSC COMMUNICATIONS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Acquisition

In November 1994, the Company acquired all of the outstanding stock of NKT Elektronik A/S, a Copenhagen, Denmark-based manufacturer of optical transmission equipment, for $149.4 million in cash. The acquisition cost was funded with existing cash and approximately $62 million in short-term borrowings. Following the acquisition, the name of NKT Elektronik A/S was changed to DSC Communications A/S. The Company's 1994 consolidated results include the operations of DSC Communications A/S from the date of acquisition.

The acquisition was accounted for using the purchase method of accounting. Accordingly, a portion of the purchase price has been preliminarily allocated to the net assets acquired based on their estimated fair values with the balance of the purchase price, $105.6 million, included in Cost in Excess of Net Assets of Businesses Acquired, Net. The cost in excess of net assets of business acquired is being amortized over 20 years. Amortization expense related to the DSC Communications A/S acquisition was not material in 1994.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and DSC Communications A/S as if the acquisition had occurred at the beginning of 1994 and 1993 after giving effect to certain pro forma adjustments, including, among others, adjustments to reflect the appropriate divisions and/or subsidiaries of DSC Communications A/S which were purchased by the Company, the amortization of cost in excess of net assets of business acquired, increased interest expense and decreased interest income associated with acquisition funding, and the estimated related income tax effects. This pro forma financial information is presented for informational purposes only and may not be indicative of the results of operations as they would have been if the Company and DSC Communications A/S had been a single entity during 1994 and 1993, nor is it necessarily indicative of the results of operations which may occur in the future. Anticipated efficiencies from the consolidation of DSC Communications A/S and the Company are not fully determinable and therefore have been excluded from the amounts included in the pro forma summary presented below.

	Years ended December 31,	
(in thousands, except per share data) (unaudited)	1994	1993
Revenue	$1,085,216	$827,851
Net income	151,533	79,337
Income per share	1.30	0.74

FLEMING COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions (In Part):

As of July 1994, the company completed the acquisition of all the outstanding stock of Haniel Corporation, the parent of Scrivner Inc. ("Scrivner"). The company paid $388 million in cash and refinanced substantially all of Scrivner's existing indebtedness (approximately $670 million in aggregate principal and premium). In connection with the acquisition, the company refinanced approximately $340 million in aggregate principal amount of its own indebtedness.

The acquisition has been accounted for as a purchase and the results of operations of Scrivner have been included in the consolidated financial statements since the beginning of the third quarter of 1994. The purchase price was allocated based on estimated fair values at the date of the acquisition. At December 31, 1994, the excess of purchase price over assets acquired was $540 million and is being amortized on a straight-line basis over 40 years.

The following unaudited pro forma information presents a summary of consolidated results of operations of the company and Scrivner as if the acquisition had occurred at the beginning of 1993, with pro forma adjustments to give effect to amortization of goodwill, interest expense on acquisition debt and certain other adjustments, together with related income tax effects.

(In thousands, except per share amounts)	Dec. 31, 1994	Dec. 25, 1993
Net sales	$18,977,000	$19,109,000
Net earnings	$43,000	$19,000
Net earnings per share	$1.15	$.53

GUARDSMAN PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions of Businesses

On August 31, 1994, the Company purchased 100% of the stock of Moline Paint Manufacturing Co. (Moline). The consideration for the stock of Moline included 1.5 million shares of Guardsman Common Stock valued at $10.44 per share, approximately $6,000,000 in cash and the assumption of approximately $3,100,000 in outstanding debt of Moline. Moline is an industrial coatings manufacturer focusing on the agricultural/construction equipment and general industrial markets. Management intends to continue Moline's operations along substantially the same lines of business.

The purchase agreement provides for certain contingent payments including a contingent adjustment for stock price. In the event that the price of Guardsman Common Stock does not equal or exceed $18 per share during the four year period subsequent to the acquisition date, based on the highest trading price on any twenty days during this period, then Guardsman shall pay the sellers the difference between the highest trading price, as defined, and $18 per share multiplied by the 1.5 million shares issued pursuant to the acquisition.

In addition, the sellers entered into non-competition agreements valued at $5,013,664, which represents the present value discounted at 7.75% of payments totaling $7,678,800 to be paid over a period of twelve years. The Company will recognize the cost ratably over the term of the agreements.

The acquisition of Moline was accounted for as a purchase. Accordingly, the purchase price was allocated to the net assets acquired based upon their estimated fair market values. The excess of the purchase price over the estimated fair value of net assets acquired amounted to approximately $13 million, which has been accounted for as goodwill and is being amortized over 40 years using the straight line method. This allocation was based on preliminary estimates and may be revised at a later date.

The accompanying consolidated statements of income reflect the operating results of Moline since the effective date of the acquisition. Pro forma unaudited consolidated operating results of the Company and Moline for the years ended December 31, 1994 and 1993, assuming the acquisition had been made as of January 1, 1994 and 1993, are summarized below (in thousands except per share amounts):

	1994	1993
Net sales	$227,346	$210,150
Net income	4,656	4,680
Earnings per share	.49	.50

These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional depreciation expense as a result of a step-up in the basis of fixed assets, additional amortization expense as a result of goodwill and other intangible assets and increased interest expense on acquisition debt. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect on January 1, 1994, and 1993 or of future results of operations of the consolidated entities.

HARMON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Acquisition

On December 20, 1994, the Company acquired the transportation division of Servo Corporation of America. Servo's transportation division manufactures hot box detector systems and various components to help railroads monitor the condition of bearings and wheels on freight and passenger vehicles.

The purchase method of accounting for business combinations was used. The operating results of this division have been included in the Company's consolidated results of operations from the date of acquisition and were insignificant in 1994. The Servo acquisition was made with the issuance of 260,000 shares of unregistered common stock valued at $11.25 per share, as determined by a fair market value analysis conducted by an independent investment and securities firm, and $6,661,000 in cash. The fair value of assets acquired, including goodwill, was $10,283,000 and liabilities assumed totalled $697,000. Goodwill of $7,967,000 will be amortized over fifteen years on a straight line basis. Assets acquired included inventory, fixed assets and other miscellaneous items.

The pro forma results below (unaudited) assume the acquisition occurred at the beginning of the year ended December 31, 1994 (dollars in thousands, except per share data).

Net sales	$131,024
Operating income	13,730
Net earnings	8,152
Earnings per common share	1.19

MAPCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Acquisition

On September 1, 1994, MAPCO completed the acquisition of the assets of Emro Propane Company ("Emro"). Emro is engaged in the supply and retail marketing of NGLs. The purchase price of $198 million included a $186 million cash payment and the transfer to Emro Marketing Company of MAPCO Florida Inc.'s retail convenience store assets in Florida. The cash payment was financed through the issuance of commercial paper and bank money market lines. The acquisition has been recorded using the purchase method of accounting. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately $84 million was recognized as goodwill and is being amortized over 30 years. The operating results of Emro have been included in MAPCO's consolidated financial statements since the date of acquisition.

The following unaudited pro forma results of operations assume the acquisition occurred as of January 1, 1993 (in millions except per share amounts):

Year Ended December 31,	1994	1993
Sales and Operating Revenues	$3,071.3	$2,737.5
Net Income	86.2	134.3
Earnings per Common Share	2.87	4.48

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the Emro acquisition been consummated as of January 1, 1993, nor are they necessarily indicative of future operating results.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Acquisitions and Nonrecurring Items

On May 31, 1994, the Company acquired substantially all of the business assets and assumed the associated debts and liabilities of Kransco, a San Francisco-based designer, manufacturer and marketer of brand name recreational and sporting products, including POWER WHEELS battery-powered, ride-on vehicles; HULA HOOP and FRISBEE products marketed under the WHAM-O trademark; STREET JAM sporting goods; and MOREY BOOGIE bodyboards. The purchase price included net cash consideration of $254.6 million, including costs directly related to the acquisition. In addition, the Company repaid $20.0 million of Kransco's short-term borrowings concurrent with consummation of the asset purchase transaction. The asset purchase agreement also provides for future contingent consideration in the event that net sales of the POWER WHEELS product line reaches or exceeds certain levels in each of calendar years 1994, 1995 and 1996. The contingent consideration payable with respect to any year shall not exceed $8.6 million. As of December 31, 1994, $8.6 million of contingent consideration was payable, and as a result the goodwill initially recorded was increased.

The acquisition has been accounted for under the purchase method of accounting and, accordingly, the operating results of Kransco have been included in the Company's consolidated financial statements since the date of acquisition. The estimated fair market value of assets and liabilities acquired was $99.4 million and $37.2 million, respectively. The excess of the aggregate purchase price over the estimated fair market value of the net assets acquired was approximately $221 million, which is being amortized on a straight-line basis over 20 years.

The following summary presents unaudited pro forma consolidated results of operations as if the acquisition had occurred at the beginning of 1994 and 1993, and includes adjustments for estimated amounts of goodwill amortization, depreciation of fixed assets acquired based on their estimated fair values, increased interest expense assuming the initial purchase consideration had resulted in additional short-term borrowing during the periods presented, and the elimination of intercompany transactions. The pro forma results are for illustrative purposes only, and do not purport to be indicative of the actual results which would have occurred had the transaction been consummated as of those earlier dates, nor are they indicative of results of operations which may occur in the future. These results reflect the highly seasonal nature of the business acquired and do not reflect the synergies achieved.

(In thousands, except per share amounts)	For the Year 1994	1993
Net sales	$3,284,765	$2,876,080
Income before extraordinary item and cumulative effect of changes in accounting principles	$253,537	$142,012
Net income	$253,537	$123,309
Primary Income Per Common Share		
Income before extraordinary item and cumulative effect of changes in accounting principles	$1.11	$0.64
Net income	$1.11	$0.56
Fully Diluted Income Per Common Share		
Income before extraordinary item and cumulative effect of changes in accounting principles	$1.10	$0.63
Net income	$1.10	$0.55

MCDERMOTT INTERNATIONAL, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Acquisitions

On February 28, 1994, McDermott International acquired Northern Ocean Services Limited ("NOS") for $57,645,000. NOS owns and operates 2 major marine construction vessels and specialized construction equipment for providing subsea and trenching services to industries worldwide. The purchase has been reflected in the consolidated balance sheet of McDermott International. Results of NOS's operations from the date of acquisition to March 31, 1994 have been included in McDermott International's consolidated results and are included in the Marine Construction Services' segment. Results for the one month ended March 31, 1994 were not material to the consolidated financial statements of McDermott International.

During June 1993, the Delaware Company acquired a controlling interest in Delta Catalytic Corporation ("DCC") of Calgary, Alberta, Canada for $28,249,000. This was the first step in a two-step transaction which will be completed during fiscal year 1997, when the Delaware Company intends to acquire the balance of DCC. The purchase price for the second step in fiscal year 1997 will be determined based upon DCC's earnings for the period from November 1992 to October 1996. DCC provides engineering, procurement, construction and maintenance services to industries worldwide. The purchase has been reflected in the consolidated balance sheet of McDermott International. Results of DCC's operations from the date of acquisition to March 31, 1994 have been included in McDermott International's consolidated results and are included in the Marine Construction Services' segment. Revenues, segment operating income and net income were $228,822,000, $7,207,000, and $182,000, respectively, for the ten months ended March 31, 1994.

The following pro forma income statement information for McDermott International is presented as though the acquisitions of NOS and DCC had occurred on April 1, 1992.

(Unaudited) (In thousands)	Fiscal Year Ended 3/31/94	3/31/93
Revenues	$3,164,468	$3,709,911
Income before Extraordinary Items and Cumulative Effect of Accounting Changes	$94,704	$64,428
Net Income (Loss)	$(6,046)	$(191,627)
Earnings (Loss) Per Common and Common Equivalent Share:		
Income before extraordinary items and cumulative effect of accounting changes	$1.66	$1.24
Net income (loss)	$(0.23)	$(3.68)

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the acquisitions of NOS and DCC been consummated as of the above dates, nor are they necessarily indicative of future operating results.

The acquisitions were accounted for under the purchase method. The excess of cost over fair value of net assets of purchased businesses of DCC and NOS is being amortized over a period of 10 years. The purchase price of DCC has been allocated to the underlying assets and liabilities based on fair values at the date of acquisition, while the purchase price of NOS has been allocated to the underlying assets and liabilities based on estimated fair values at the date of acquisition. Such estimates may be revised at a later date. A summary of the purchase price allocation for DCC and NOS is as follows:

(In thousands)	
Net Working Capital	$ (602)
Excess of Cost Over Fair Value of Net Assets of Purchased Businesses	32,832
Net Property, Plant and Equipment	68,003
Other Non-Current Liabilities, Net	(14,339)
Total	$85,894

Formation Of Jointly Owned Company

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Restructuring, Acquisitions, Formation of United Defense L.P. and Discontinued Operations

Formation of United Defense, L.P. On January 28, 1994, FMC and Harsco Corporation ("Harsco") announced completion of a series of agreements, first announced in December 1992, to combine certain assets and liabilities of FMC's Defense Systems Group ("DSG") and Harsco's BMY Combat Systems Division ("BMY"). The effective date of the combination was January 1, 1994. The combined company, United Defense, L.P. "(UDLP"), operates as a limited partnership, with FMC as the Managing General Partner with a 60 percent equity interest and Harsco Defense Holding as the Limited Partner holding a 40 percent equity interest.

Beginning in the first quarter 1994, all sales and earnings of UDLP are included in FMC's consolidated financial statements. The limited partner's share of the partnership's earnings is included in minority interest. Sales and profits for 1994 versus 1993 are affected by the formation of the venture. All of the assets and liabilities of UDLP are also consolidated in the balance sheet at December 31, 1994 resulting in increases to trade receivables, inventories, property, plant and equipment, other assets, accounts payable, and minority interests compared to December 3, 1993.

The following summary, prepared on a pro forma basis, combines the operating results of FMC and BMY as if the combination had occurred on January 1, 1993. The pro forma earnings include amortization of an intangible asset and a minority interest in UDLP for Harsco's equity interest. The pro forma operating results are not necessarily indicative of what would have occurred had the combination actually taken place on January 1, 1993.

(In millions, except per share amounts)	Year Ended December 31, 1993
Revenue	$4,137
Income from continuing operations	30
Earnings per common share:	
Primary	$0.81
Fully diluted	$0.81

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 the loss and gain contingencies disclosed in the 1994 annual reports of the survey companies. 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 in Section 3.

TABLE 1-11: CONTINGENCIES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Loss Contingencies				
Litigation	407	386	366	361
Environmental	292	276	233	197
Possible tax assessments	62	56	57	69
Insurance	59	46	47	40
Government investigations	28	34	30	20
Other—described	68	65	52	62
Gain Contingencies				
Operating loss carryforward	279	268	226	179
Investment credit carryforward	43	64	58	67
Plaintiff litigation	44	43	47	34
Other—described	12	9	15	9

LOSS CONTINGENCIES

Litigation

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Contingencies

AMD/Intel Litigations.

On January 11, 1995, the company and Intel Corporation reached an agreement to settle all previously outstanding legal disputes between the two companies. The major terms of the settlement are: (1) AMD will have a fully paid-up, nonexclusive, worldwide, royalty-free, perpetual license to copy and distribute the microcode and control code in the Intel287™, Intel386™ and Intel486™ microprocessor product families. (2) AMD agreed that it has no right to copy any other Intel microcode including the Pentium™ Processor, the P6 microcode and the 486

ICE (In-circuit emulation) microcode. (3) The companies agreed to negotiate a new patent cross-license agreement to become effective January 1, 1996. (4) AMD agreed to pay Intel $58 million in settlement of claims for past damages related to AMD's distribution of Am486 microprocessors containing Intel's 486 ICE microcode. As ordered in a 1992 arbitration between the companies, Intel will pay AMD approximately $18 million in damages (which includes interest) awarded by the arbitrator for breach of contract and will not contest certain rights granted AMD in the arbitration. The company recorded both the ICE cash damages and the arbitration award in 1994. (5) Intel and AMD will drop all cases against each other, including appeals, currently pending the courts. (6) AMD will have the right to use foundries for Am486 products containing Intel microcode for up to 20 percent of annual total unit shipments of Am486 microprocessors. (7) AMD and its customers will receive a license for Intel's "Crawford '338" patent, covering memory management. (8) The two companies agreed not to initiate legal action against one another for any activity occurring prior to January 6, 1995.

ALCO STANDARD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Contingencies

There were contingent liabilities for taxes, guarantees, lawsuits, and environmental and various other matters occurring in the ordinary course of business. On the basis of information furnished by counsel and others, management believes that none of these contingencies will materially affect the Company.

The Company is presently in arbitration with a former subsidiary, which has asserted that the Company is liable to it for certain liabilities arising under the "Coal Industry Health Benefit Act of 1992". Based on consultation with its counsel, the Company does not believe that it is responsible for such liabilities and, therefore, no provision for this matter has been recorded in the financial statements. In the event that the arbitrators decide in favor of the claimant, the Company estimates that it would be obligated to pay approximately $36,000,000 over a twenty-year period, which would result in an after-tax charge of approximately $23,000,000 to discontinued operations.

BALL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

Environmental

The U.S. Environmental Protection Agency has designated the company as a potentially responsible party, along with numerous other companies, for the cleanup of several hazardous waste sites. However, the company's information at this time does not indicate that these matters will have a material, adverse effect upon financial condition, results of operations, capital expenditures or competitive position of the company.

Litigation

Prior to the acquisition on April 19, 1991, of the lenders' position in the term debt and 100 percent ownership of Ball Canada, the company had owned indirectly 50 percent of Ball Canada through a joint venture holding company owned equally with Onex Corporation (Onex). The 1988 Joint Venture Agreement had included a provision under which Onex, beginning in late 1993, could "put" to the company all of its equity in the holding company at a price based upon the holding company's fair value. Onex has since claimed that its "put" option entitled it to a minimum value founded on Onex's original investment of approximately $22.0 million. On December 9, 1993, Onex served notice on the company that Onex was exercising its alleged right under the Joint Venture Agreement to require the company to purchase all of the holding company shares owned or controlled by Onex, directly or indirectly, for an amount including approximately $30 million in respect of the Class A-2 Preference Shares owned by Onex in the holding company.

The company's position is that it has no obligation to purchase any shares from Onex or to pay Onex any amount for such shares, since, among other things, the Joint Venture Agreement, which included the "put" option, is terminated. On January 24, 1994, the Ontario Court (General Division Commercial List) ordered that Onex's August 1993 Application for Rectification to reform the Joint Venture Agreement document be stayed, and the Court referred the parties to arbitration on the matter. Onex is now pursuing its claim in arbitration before the International Chamber of Commerce. The company filed its answer and counterclaim on September 12, 1994. A hearing has been set to begin on May 30, 1995. The parties are currently engaged in discovery. The company believes that it has meritorious defenses against Onex's claims, although, because of the uncertainties inherent in the arbitration process, it is unable to predict the outcome of this arbitration.

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Litigation

On June 3, 1994, the Company announced that actions to normalize high levels of inventories at distributors would cause sales and earnings for the second quarter and remainder of 1994 to be below the level of the same periods in 1993 and that results for the year would be less than originally planned. Several class action suits were filed in the United States District Court, New York and consolidated in the Western District, against Bausch & Lomb and one of its officers alleging the Company artificially inflated the value of its stock by making false and misleading statements about expected financial results. The plaintiffs seek unspecified damages based upon the decrease in market value of shares of the Company's stock. Management intends to defend these actions vigorously.

On January 31, 1995, a proposed class action suit was filed in the United States District Court for the Western District of New York against Bausch & Lomb and several of its officers. The suit alleges that the Company failed to fully disclose the impact of the efforts to normalize distributor inventories on the Company's 1994 financial results, thus misleading shareholders who purchased shares between June 4, 1994 and January 25, 1995. The plaintiff seeks damages based upon the decreased market value of the Company's stock. Management is vigorously contesting these claims.

On December 28, 1994, the Company received a request from the Securities and Exchange Commission for information apparently prompted by accounting issues arising out of the unsuccessful marketing program initiated by the Contact Lens Division, which was designed to transfer management of a portion of the U.S. traditional lens business to optical distributors. The Company is cooperating fully with the SEC in the inquiry but there can be no assurance regarding its outcome.

In November 1994, the United States District Court for the Northern District of Alabama certified a nationwide class of purchasers of *Optima FW* and *Medalist* lenses between January 1, 1991 and November 1, 1994 to pursue claims related to the Company's marketing and sale of *Optima FW, Medalist* and *SeeQuence 2* contact lens systems. Plaintiffs allege that the Company misled consumers by packaging the same lens under three different names for three different prices. Plaintiffs seek compensatory and punitive damages in an unspecified amount. The case may proceed to trial in late 1995. Management is virgorously defending the marketing of these lens systems.

The Company was also involved in other litigation, investigations of a routine nature and various legal matters during 1994 which are being defended and handled in the ordinary course of business.

While the ultimate results of the matters described above cannot be determined, management does not expect that they will have a material adverse effect on the Company's results of operations or financial position.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 17. Legal Proceedings

The company was a defendant in a class action which originally sought $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. In October 1992, a mistrial was declared after the jury was unable to reach a unanimous verdict. In May 1993, the court approved a settlement of the action providing for the payment of $6.5 million by the company. In June 1993, the court's approval of the settlement was appealed and, in September 1994, the appeal was dismissed. In November 1994, a motion for rehearing was denied. The time has expired for any further appeal of the court's approval of the settlement and, accordingly, the settlement is final.

The company is a defendant in a class action which originally sought $500 million in damages allegedly resulting from the purported discharge of hazardous substances, including dioxin, from the company's Pensacola, Florida, mill into Eleven Mile Creek, which flows into Perdido Bay. The plaintiffs now are seeking not more than $50,000 for each class member. It is anticipated that the class, which was certified in June 1994, will consist of approximately 2,000 members. The company is vigorously defending this action.

The company is also involved in other legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, management, based upon the opinion of the company's General Counsel, 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.

DANAHER CORPORATION (DEC)

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Litigation and Contingencies:

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

In addition to the litigation noted above, the Company is from time to time subject to routine litigation incidental to its business. These lawsuits primarily involve claims for damages arising out of the use of the Company's products, some of which include claims for punitive as well as compensatory damages.

The Company is also involved in proceedings with respect to environmental matters including sites where the Company has been identified as a potentially responsible party under federal and state environmental laws and regulations. The Company believes that the results of the above noted litigation and other pending legal proceedings will not have a materially adverse effect on the Company's financial condition.

L.B. FOSTER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Commitments and Contingent Liabilities

The Company is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company. However, the Company's efforts to comply with increasingly stringent environmental regulations may have an adverse effect on the Company's future earnings.

In March 1994, Livermore Amador Valley Wastewater Management Agency (LAVWMA) notified the Company that it had supplied LAVWMA with pipe for a pipeline constructed between 1978 and 1979, and alleged that a substantial portion of the interior lining of the pipe had delaminated. On August 26, 1994, LAVWMA filed suit against the Company in Superior Court of California, Eastern District of the County of Alameda and alleged that the Company is liable under theories of negligence and strict liability for the cost of repairing or replacing the pipe and punitive damages. LAVWMA contends that the cost of repairing and/or replacing the pipeline will be between $10 million and $30 million. The Company subsequently removed the case to the United States District Court in the Northern District of California. Although no assurances can be given, the Company believes it has meritorious defenses to this action and will defend itself vigorously.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

At December 31, 1994, the Company had outstanding letters of credit of approximately $2,498,000.

ICOT CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Litigation

In November 1993, an action was brought against the Company for damages related to the use of the Company's products. The plaintiff filed a suit claiming repetitive stress injuries resulting from the use of the Company's product in the course of employment with American Airlines from the period May 1981 through July 1991. The plaintiff alleges damages in the amount of $1 million and punitive damages of $10 million. The Company believes that the claim is without merit and has tendered defense of this action to its insurance carriers. In the opinion of management, the outcome of this litigation will not have a material adverse effect on the Company's financial position or its results of operations. The Company is not involved in any other substantial litigation.

THE LUBRIZOL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Litigation

On November 18, 1993, a federal court jury in Houston, Texas, awarded Exxon Corporation $48 million in damages in a patent case brought, in 1989, against the company. The damages award relates to a December 1992 verdict that the company willfully infringed an Exxon patent pertaining to an oil soluble copper additive component. On February 18, 1994, the trial court judge doubled the damages amount and awarded prejudgment interest, court costs and additional attorneys' fees to Exxon. The total amount of the judgment, including previously awarded attorneys' fees, is $129 million. The company has obtained a bond to stay enforcement of the judgment pending the company's appeal discussed below.

The original December 1992 finding of willful infringement, as well as the jury's determination that the patent is valid, remains on appeal to the United States Court of Appeals for the Federal Circuit Court in Washington, D.C., which has jurisdiction over all patent cases. Oral arguments on this appeal were held on December 6, 1993, and the company does not know when a decision will be announced. This decision could reverse or modify the judgment against the company. In addition, oral arguments on the company's appeal of the February 1994 damages award will be heard by the same court in Washington, D.C., on March 8, 1995. The company's management continues to believe that it has not infringed the Exxon patent and that the patent is invalid. Based on the advice of legal counsel, management believes that the December 1992 trial court judgment will not be upheld on appeal. Therefore, no amount related to the judgment has been recorded in the company's financial statements.

The company has prevailed in a separate case brought in Canada against Exxon's Canadian affiliate, Imperial Oil, Ltd., for infringement of the company's patent pertaining to dispersant, the largest additive component used in motor oils. A 1990 trial court verdict in favor of the company regarding the issue of liability was upheld by the Federal Court of Appeals of Canada in December 1992, and in October 1993, the Supreme Court of Canada dismissed Imperial Oil's appeal of the Court of appeals decision. The case has returned to the trial court for an assessment of damages. On October 4, 1994, the trial court judge awarded the company $15 million (Canadian) in special penalty damages, plus attorneys' fees, against Imperial Oil for disregarding an earlier injunction for the manufacture or sale of the dispersant which is the subject of this case. Imperial Oil commenced proceedings to appeal the award of penalty damages. The company has not reflected the award of penalty damages within its financial statements pending the outcome of the appeal process. The penalty damages are in addition to compensation damages, as to which no date has been set for a determination. A reasonable estimation of the company's potential recovery for compensation damages cannot be made at this time.

PRAB, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. (In Part): Contingencies

The Company is also aware of a product liability action against the Company. The amount of the lawsuit is for $3,250,000 which exceeds the Company's product liability insurance protection by approximately $1,250,000. The Company intends to vigorously defend its case and believes that a settlement or related judgment would not result in a material loss to the Company. No amounts are recorded on the books of the Company in anticipation of a loss as a result of this contingency.

ROWE FURNITURE CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingencies

Litigation

The Company is in litigation with a former dealer who alleges breach of certain contractual and other violations which purportedly caused the dealer damages from $800,000 to $1,600,000. Management denies that it breached any obligations or duties to this dealer, and asserts that any losses the dealer suffered resulted from circumstances unrelated to the Company's actions. Management is vigorously contesting this litigation, and has filed a counterclaim seeking recovery of amounts it believes are owed to it by the plaintiff. Management believes that it is unlikely that the outcome of this case will have a material impact on the financial condition of the Company.

Environmental Matters

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Environmental Expenditures—Accruals for investigatory and noncapital remediation costs are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Remediation costs are capitalized if the costs improve the company's property as compared with the condition of the property when originally constructed or acquired or if the costs prevent environmental contamination from future operations. Costs to operate and maintain the capitalized facilities are expensed as incurred.

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. While the current law potentially imposes joint and several liability upon each party at any Superfund site, the company's contribution to cleanup of these sites is expected to be limited, given the number of other companies which have also been named as potentially responsible parties and the volumes of waste involved. A reasonable basis for apportionment of costs among responsible parties is determined and the likelihood of contribution by other parties is established. If it is considered probable that the company will only have to pay its expected share of the total site cleanup, the liability reflects the company's expected share. In determining the probability of contribution, the company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience to date regarding similar matters. These liabilities do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The accruals for environmental liabilities are reflected in the balance sheet primarily as part of other noncurrent liabilities.

17 (In Part): Other Commitments and Contingencies

The company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. The potential exposure for such costs is estimated to range from $24 million to a reasonably possible upper exposure of $55 million. The balance sheet at 30 September 1994 includes an accrual of $29.6 million. The company does not expect that any sums it may have to pay in connection with these environmental matters would have a materially adverse effect on its consolidated financial position, nor is there any material additional exposure expected in any one year in excess of the amounts the company currently has accrued.

ALLIEDSIGNAL, INC. (DEC)

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

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

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 1994 and 1993 were $78 and $416 million and $66 and $414 million, respectively.

Note 20 Commitments and Contingencies

The Company is subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability and environmental, safety and health matters. One such lawsuit was brought by The B. F. Goodrich Company (Goodrich) in the U.S. District Court for Delaware alleging infringement by the Company of two patents relating to aircraft brakes and seeking injunctive relief and damages. The allegation against the Company related only to brakes for the Boeing 777, which is to be introduced in 1995, and not to any other brake program of the Company. At trial, Goodrich claimed damages of approximately $350 million before trebling. On November 10, 1994, after a full trial on the merits, the District Court ruled the Goodrich patents were invalid, turned down Goodrich's claim for damages and denied its request for an injunction. On December 8, 1994, Goodrich filed a notice that it would appeal this decision. The Company believes that Goodrich will not prevail on appeal.

In accordance with the Company's accounting policy described in Note 1 of Notes to Financial Statements, liabilities are recorded for environmental matters generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action. Although the Company does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon future completion of studies, they may be significant to the consolidated results of operations, but management does not expect that they will have a material adverse effect on the consolidated financial position of the Company. With respect to all other matters, while the ultimate results of these lawsuits, investigations and claims cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated results of operations or financial position of the Company.

The company has issued or is a party to various direct and indirect guarantees, bank letters of credit and customer guarantees. Management does not expect these guarantees will have a material adverse effect on the consolidated results of operations or financial position of the Company.

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

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

1 (In Part): Summary of Significant Accounting Policies

Environmental Liabilities and Expenditures

Accruals for environmental matters are recorded in operating expenses when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties and are not discounted.

In general, costs related to environmental remediation are charged to expense. Environmental costs are capitalized if the costs increase the value of the property and/or mitigate or prevent contamination from future operations.

28. Commitments and Contingent Liabilities

The company has various purchase commitments for materials, supplies and items of permanent investment incident to the ordinary conduct of business. In the aggregate, such commitments are not at prices in excess of current market.

The company is subject to various lawsuits and claims with respect to such matters as product liabilities, governmental regulations and other actions arising out of the normal course of business. While the effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists, in the opinion of company counsel, the ultimate liabilities resulting from such lawsuits and claims will not materially affect the consolidated financial position of the company.

The company is also subject to contingencies pursuant to environmental laws and regulations that in the future may require the company to take action to correct the effects on the environment of prior disposal practices or releases of chemical or petroleum substances by the company or other parties. The company has accrued for certain environmental remediation activities consistent with the policy set forth in Note 1. At December 31, 1994, such accrual amounted to $616 and, in management's opinion, was appropriate based on existing facts and circumstances. Under the most adverse circumstances, however, this potential liability could be significantly higher. In the event that future remediation expenditures are in excess of amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position of the company.

The company has indirectly guaranteed various debt obligations under agreements with certain affiliated and other companies to provide specified minimum revenues from shipments or purchases of products. At December 31, 1994, these indirect guarantees totaled $13. In addition, at December 31, 1994, the compoany had directly guaranteed $832 of the obligations of certain affiliated companies and others. No material loss is anticipated by reason of such agreements and guarantees.

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Commitments and Contingencies

Environmental matters

From time to time, the Company has had claims asserted against it by regulatory agencies or private parties for environmental matters relating to the generation or handling of hazardous substances by the Company or its predecessors and has incurred obligations for investigations or remedial actions with respect to certain of such matters. While the Company does not believe that any such claims asserted or obligations incurred to date will result in a material adverse effect upon the Company's fi-

nancial position, results of operations or liquidity, the Company is aware that at its facilities at Massillon and Hamilton, Ohio; Easthampton, Massachusetts; Hudson, New Hampshire; and Lititz, Pennsylvania hazardous substances and oil have been detected and that additional investigation will be, and remedial action will or may be, required. Operations at these and other facilities currently or previously owned or leased by the Company utilize, or in the past have utilized, hazardous substances. There can be no assurance that activities at these or any other facilities owned or operated by the Company or future facilities may not result in additional environmental claims being asserted against the Company or additional investigations or remedial actions being required.

In connection with the acquisition of Kellogg by the Company in 1993, the Company engaged environmental engineering consultants ("Consultants") to review potential environmental liabilities at all of Kellogg's properties. Additional investigation and testing resulted in the identification of likely environmental remedial actions, operation, maintenance and ground water monitoring and the estimated costs therefore. Based upon the cost estimates provided by the Consultants, the Company believes remediation costs will be approximately $1.6 million and the expense for the ongoing operation, maintenance and ground water monitoring will be $181,000 for the first 10 years and $116,000 for 20 years there after. Management believes that the total amount for these liabilities is approximately $6.0 million, including the effects of inflation. Accordingly, the Company has recorded a liability of approximately $3.6 million. This amount represents the undiscounted costs of remediation and the net present value of future operation, maintenance and ground water monitoring costs discounted at 6%. The Company expects to pay approximately $1.3 million of the remediation costs in Fiscal 1995 with the balance being paid out in Fiscal 1996 and Fiscal 1997. During Fiscal 1994, the Company paid approximately $231,000 of such costs. The estimates may subsequently change should additional sites be identified or further remediation measures be required or undertaken or interpretation of current laws or regulations be modified. The Company has not anticipated any insurance proceeds or third-party payments in arriving at the above estimates.

ENGELHARD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Environmental Costs

In the ordinary course of business, like most other industrial companies, the Company is subject to extensive and changing federal, state, local and foreign environmental laws and regulations, and has made provisions for the estimated financial impact of environmental cleanup related costs.

The Company is currently preparing, has under review, or is implementing, with the oversight of cognizant environmental agencies, environmental investigations and cleanup plans at several locations which it owns and/or operates, including Plainville, Massachusetts; Salt Lake City, Utah; Attapulgus, Georgia; and Newark, New Jersey. With respect to Plainville, in September 1993 the United States Environmental Protection Agency (EPA) and the Company entered into a consent order under which the Company is investigating contamination and will conduct site stabilization measures. Plainville is also included on the Nuclear Regulatory Commission (NRC) "Existing Site Decommissioning Management Plan Sites" list and the Company is currently conducting further investigations of the site pursuant to NRC approved plans. With respect to Salt Lake City, in connection with obtaining an operating permit under the Utah Solid and Hazardous Waste Act, the Company entered into an agreement in December 1993 with the Utah Solid and Hazardous Waste Control Board under which the Company is currently investigating the environmental status of the site. With respect to Attapulgus, in January 1994 the Georgia Department of Natural Resources, Environmental Protection Division and the Company entered into a consent order under which the Company will develop and implement a reclamation program. With respect to Newark, the Company is in the process of implementing a cleanup plan in coordination with the New Jersey Department of Environmental Protection.

In addition, the Company has been designated as a potentially responsible party at 16 sites by EPA under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended and by certain state environmental authorities under similar state laws (collectively referred to as Superfund).

The Company's policy is to accrue environmental cleanup related costs of a noncapital nature when those costs are believed to be probably and can be reasonably estimated. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, advancements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings, and the length of time involved in remediation or settlement. For the Superfund sites, the Company also assesses the financial capability of other potentially responsible parties and, where allegations are based on tentative findings, the reasonableness of the Company's apportionment. The Company has not anticipated recoveries from insurance carriers or other potentially responsible third parties in its consolidated balance sheets. The liabilities for environmental cleanup related costs recorded in the consolidated balance sheets at December 31, 1994 and 1993 were $62.2 million and $66.1 million, respectively, including $10.8 million and $11.8 million, respectively, for the Superfund sites. These amounts represent those costs which the Company believes are probable and reasonably estimable. Based on currently available information and analysis, the Company's accrual represents approximately 90 percent of what it believes are reasonably possible environmental cleanup related costs of a noncapital nature. The estimate of reasonably possible costs is less certain than the probable estimate upon which the accrual is based.

During the past three-year period, cash payments for environmental cleanup related matters were $4.5 million, $.3 million and $.7 million for 1994, 1993 and 1992, respectively. In 1994 and 1992, the amounts accrued in connection with environmental cleanup related matters were not significant. In 1993, $30.0 million was accrued as a result of developments during that year which caused the Company to revise its estimates of environmental cleanup related costs at sites being idled or affected by restructuring, where conditions had recently changed, or where studies and cleanup plans had been approved and the assessment of the likelihood or extent of remediation had changed.

For the past three-year period, environmental related capital projects have averaged less than 10 percent of the Company's total capital expenditure programs and the expense of environmental compliance (environmental testing, permits, consultants and in-house staff) was not significant.

There can be no assurances that environmental laws and regulations will not become more stringent in the future or that the Company will not incur significant costs in the future to comply with such laws and regulations. Based on existing information and currently enacted environmental laws and regulations, cash payments for environmental cleanup related matters are projected to approximate $10.0 million for 1995, all of which has already been accrued. Further, the Company anticipates that the future amounts of capitalized environmental projects and the future expense of environmental compliance will approximate current levels. While it is not possible to predict with certainty, management believes that environmental cleanup related accruals at December 31, 1994, are reasonable and adequate and that environmental matters are not expected to have a material adverse effect on financial condition or on the results of operations.

HERCULES INCORPORATED (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Environmental Expenditures

Environmental expenditures that pertain to current operations or relate to future revenues are expensed or capitalized consistent with the company's 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.

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

23 (In Part): Commitments and Contingencies

(c) Environmental:

Hercules has been identified as a potentially responsible party (PRP) by Federal and State authorities for environmental cleanup at numerous sites. The estimated range of the reasonably possible costs of remediation is between $64,000 and $244,000. The actual costs will depend upon numerous factors, including the number of parties found liable at each environmental site and their ability to pay, the actual method of remediation, outcome of negotiations with regulatory authorities, outcome of litigation, changes in environmental laws and regulations, technological developments, and the years of remedial activity required, which could range up to 30 years. Hercules becomes aware of sites in which it may be but has not yet been named a PRP principally through its knowledge of investigation of sites by the U.S. Environmental Protection Agency (EPA) or other Government agency or through correspondence with previously named PRPs requesting information of Hercules' activities at sites under investigation. Hercules brought suit in late 1992 against its insurance carriers for past and future costs for remediation of certain environmental sites. Hercules has not included any insurance recovery in the estimates set forth above.

Hercules has established procedures for identification of environmental issues at Hercules plant sites. Hercules designates an environmental coordinator at all operating facilities. Environmental coordinators are familiar with environmental laws and regulations and are a resource for identification of environmental issues. Hercules also has an environmental audit program which is designed to identify environmental issues at operating plant sites. Through these programs, Hercules identifies potential environmental, regulatory, and remedial issues.

Litigation over liability at Jacksonville, Arkansas, the most significant site, has been pending since 1980. As a result of a pretrial court ruling in October 1993, Hercules has been held jointly and severally liable for costs incurred and for future remediation costs at the Jacksonville site by the District Court, Eastern District of Arkansas (the Court). Appeal of the Court's ruling with respect to the finding of Hercules being jointly and severally liable will be filed promptly after issuance of a final court order. In mid-November 1993, an advisory jury found Uniroyal Chemical, Ltd. liable for the Jacksonville site, but also found that Uniroyal had proven a reasonable basis for allocation of responsibility. The same advisory jury found that Standard Chlorine of Delaware is not a liable party for the Jacksonville site. The Court may take the jury's findings into consideration when reaching its decision regarding these parties. The Court has not entered its ruling on the liability of Uniroyal and Standard Chlorine. Appeals of the Court's expected rulings with respect to Uniroyal and Standard Chlorine are probable.

Other defendants in this litigation have either settled with the Government or, in the case of the Department of Defense, have not been held liable. Hercules appealed the Court's order finding the Department of Defense not liable. On January 31, 1995 the 8th Circuit Court of Appeals upheld the Court's order holding the Department of Defense not liable. Hercules intends to petition the U.S. Supreme Court on this ruling.

Hercules' potential costs for remediation of the Jacksonville site are presently estimated between $23,000 and $149,000. Hercules' potential costs are based on its assessment of potential liability, the level of participation by other PRPs and upon current estimates of the costs to remediate the Jacksonville site. The costs to remediate will vary as Records of Decision are issued on each operable unit of the site and as remediation methods are approved by the EPA.

At December 31, 1994, the accrued liability for environmental remediation represents management's best estimate of the probable and reasonably estimable costs related to environmental remediation. The extend of liability is evaluated quarterly. The measurement of the liability is evaluated quarterly based on currently available information, including the progress of remedial investigation at each site and the current status of negotiations with regulatory authorities regarding the method and extent of apportionment of costs among other PRPs. The company does not anticipate that its financial condition will be materially affected by environmental remediation costs in excess of amounts accrued, although quarterly or annual operating results could be materially affected.

JOHNSON CONTROLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Contingencies

The Company is also involved in a number of proceedings and potential proceedings relating to environmental matters. At September 30, 1994, the Company had an accrued liability of approximately $28 million relating to environmental matters. The Company's environmental liabilities are undiscounted and do not take into consideration any possible recoveries of future insurance proceeds or claims against third parties. Because of the uncertainties associated with environmental assessment and remediation activities, future expenses to remediate the currently identified sites could be considerably higher than the accrued liability. Although it is difficult to estimate the liability of the Company related to these environmental matters, the Company believes that these matters will not have a materially adverse effect upon its capital expenditures, earnings or competitive position.

MORTON INTERNATIONAL, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Environmental Matters

The Company, like others in similar businesses, is subject to extensive Federal, state and local environmental laws and regulations. Although company environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent regulation could require the company to make additional unforeseen environmental expenditures.

Environmental accruals are routinely reviewed on an interim basis as events and developments warrant and are subjected to a comprehensive review annually during the fiscal fourth quarter.

The company has been named a potentially responsible party at approximately 60 inactive waste disposal sites where cleanup costs have been or may be incurred under the Federal Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes. The company's potential exposure has been evaluated on a site-by-site basis, and an accrual reflecting the company's best estimate of the liability has been established to the extent sufficient information is available to reasonably estimate costs which may be incurred. However, at certain of these sites, the company is unable, due to a variety of factors, to assess and quantify the ultimate extent of its responsibility for study and remediation costs. The most significant of these sites is located in Wood-Ridge, New Jersey, where, at present, the company and one other party have been held jointly and severally liable for the cost of remediation necessary to correct mercury related environmental problems associated with a former mercury processing plant. Although the company has accrued for expected site study costs and some remedial effort, no reliable estimate can presently be made of the company's range of liability due to the absence of site specific data, the unique nature of mercury plant wastes and the complex characteristics of the plant site and adjacent areas. An estimate of the range of liability at Wood-Ridge is not reasonably possible until technical studies are sufficiently completed to permit such a determination. It is anticipated that the Wood-Ridge plant site study will commence in fiscal 1995 and will be completed in approximately 42 months. Study of the surrounding area should begin after commencement of the plant site study on a timetable yet to be determined. The company's ultimate exposure will also depend upon the continued participation of the other party held liable and on the results of both formal and informal attempts to spread liability to others believed to share responsibility.

Where appropriate, the analysis to determine the company's liability, if any, with respect to remedial costs at the above sites reflects an assessment of the likelihood and extent of participation of other potentially responsible parties. The possibility of recovery from insurance carriers is factored into accrual determinations only when the company is reasonably assured that such recoveries are probable of realization.

The company's cleanup expenditures totaled approximately $7.8 million, $7.7 million and $3.2 million for fiscal years 1994, 1993 and 1992. Amounts accrued as of June 30, 1994 are generally expected to be paid out over a period of up to 15 years.

Although the level of future expenditures for environmental matters cannot be determined with any degree of certainty, based on the facts presently known to it, management does not believe that such costs will have a material effect on the company's financial position, results of operations or liquidity.

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N—Environmental Expenditures

The Company's policy is to accrue remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated.

The Company is involved in various worldwide environmental improvement activities resulting from past operations, including designation as a potentially responsible party (PRP), with others, at various EPA designated Superfund sites. In developing its estimate of environmental remediation costs, the Company considers, among other things, currently available technological solutions, alternative cleanup methods, and risk-based assessments of the contamination and, as applicable, an estimation of its proportionate share of remediation costs. The Company may also make use of external consultants, and consider, when available, estimates by other PRP's and governmental agencies and information regarding the financial viability of other PRP's. Based upon information currently available, the Company believes it is unlikely that it will incur substantial additional costs as a result of failure by other PRP's to satisfy their responsibilities for remediation costs.

Amounts have been recorded which, in management's best estimate, will be sufficient to satisfy anticipated costs of known remediation requirements. At December 31, 1994, $272 million for estimated environmental remediation costs had been accrued. Expenditures relating to costs currently accrued are expected to be made over the next 15 to 20 years with the majority to be spent by the year 2000. As a result of factors such as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites and the allocation of costs among potentially responsible parties, estimated costs for future environmental compliance and remediation are necessarily imprecise and it is not possible to predict the amount or timing of future costs of environmental remediation requirements which may subsequently be determined. Based upon information presently available, such future costs are not expected to have a material adverse effect on the Company's competitive or financial position or its ongoing results of operations. However, such costs could be material to results of operations in a future period.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Environmental Remediation

Sun accrues environmental remediation costs for work at identified sites where an assessment has indicated that cleanup costs are probable and reasonably estimable. Such accruals are based on currently available facts, estimated timing of remedial actions and related inflation assumptions, existing technology and presently enacted laws and regulations.

14 (In Part): Commitments and Contingent Liabilities

Sun is subject to federal, state, local and foreign laws regulating the discharge of materials into, or otherwise relating to the protection of, the environment. These laws result in loss contingencies for remediation at Sun's refineries, service stations, terminals, pipelines and truck transportation facilities as well as third-party or formerly owned sites at which contaminants generated by Sun may be located. The accrued liability for environmental remediation, which totalled $246 and $259 million at December 31, 1994 and 1993, respectively, was classified in the consolidated balance sheets as follows:

	December 31	
(Millions of Dollars)	1994	1993
Accrued liabilities	$55	$55
Other deferred credits and liabilities	191	204
	$246	$259

The accrued liability for dismantlement, restoration, reclamation and abandonment at Sun's oil sands mining and oil and gas exploration and production operations totalled $126 and $119 million at December 31, 1994 and 1993, respectively. This accrual is included primarily in other deferred credits and liabilities in the consolidated balance sheets. Of the $126 million accrued liability at December 31, 1994, $78 million relates to Sun's oil sands mining operations and $48 million is attributable to oil and gas exploration and production operations. Sun estimates that the total cost for reclamation of these operations will be approximately $120 and $157 million, respectively. Pretax charges against income for environmental remediation and reclamation totalled $24, $45 and $62 million in 1994, 1993 and 1992, respectively. Claims for recovery of environmental liabilities that are probable of realization totalled $11 million at December 31, 1994 and are included in deferred charges and other assets in the consolidated balance sheets.

Total future cost for environmental remediation activities will depend upon, among other things, the identification of additional sites, the determination of the extent of contamination of each site, the timing and nature of required remedial actions, the technology available and needed to meet the various existing requirements, the nature and extent of future environmental laws, inflation rates and the determination of Sun's liability at multi-party sites, if any, in light of the number, participation levels and financial viability of other parties.

Sun is currently involved in a legal action initiated by a private party to determine responsibility for remediation at a formerly owned refinery in Oklahoma. Management believes that Sun is fully indemnified for this potential liability.

Many other legal and administrative proceedings are pending against Sun. The ultimate outcome of these proceedings and the matters discussed above cannot be ascertained at this time; however, it is reasonably possible that some of them could be resolved unfavorably to Sun. Management believes that any expenditures attributable to these matters will be incurred over an extended period of time and be funded from Sun's net cash flow from operating activities. Although the ultimate impact of these matters could have a significant impact on results of operations for any one quarter or year, management of Sun believes that any liabilities which may arise pertaining to such matters would not be material in relation to the consolidated financial position of Sun at December 31, 1994.

TWIN DISC, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Q. Contingencies

The Company is involved in various stages of investigation relative to hazardous waste sites, two of which are on the United States EPA National Priorities List (Superfund Sites). The Company's assigned responsibility at each of the Superfund sites is less than 2%. The Company has also been requested to provide administrative information related to two other potential Superfund sites but has not yet been identified as a potentially responsible party. Additionally, the Company is subject to certain product liability matters.

In connection with the above matters, the Company estimates a range of possible loss to be $800,000 to $1,500,000. At June 30, 1994, the Company has accrued approximately $1,100,000, which represents the best estimate available for the possible losses. This amount has been accrued over the past several years. Based on the information available, the company does not expect that any unrecorded liability related to these matters would materially affect the consolidated financial position or results of operations.

Possible Tax Assessments

AMERICAN STANDARD COMPANIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Income Taxes

In connection with examinations of the tax returns of the Company's German subsidiaries for the years 1984 through 1990, the German tax authorities have raised questions regarding the treatment of certain significant matters. In prior years the Company paid approximately $20 million of a disputed German income tax. A suit is pending to obtain a refund of this tax. The Company anticipates that the German tax authorities may propose other adjustments resulting in additional taxes of approximately $120 million (at December 31, 1994, exchange rates) (principally relating to the 1988 to 1990 period), plus interest, for the tax return years under audit. In addition, significant transactions similar to those which gave rise to such possible adjustments occurred in years subsequent to 1990. If the tax authorities should propose adjustments for the 1988-1990 period, they might, after future tax audits, propose tax adjustments that are comparable for years 1991 to 1993. The Company, on the basis of the opinion of legal counsel, believes the tax returns are substantially correct as filed and any such adjustments would be inappropriate and intends to vigorously contest any adjustments which have been or may be assessed. Accordingly, the Company had not recorded any loss contingency at December 31, 1994, with respect to such matters.

Under German tax law, if an assessment is made for the years presently under audit, the authorities may demand immediate payment of the amount assessed prior to final resolution of the issues. The Company believes, on the basis of opinion of legal counsel, that it is highly likely that a suspension of payment pending final resolution would be obtained. If immediate payment were required, the Company expects that it would be able to make such payment from available sources of liquidity or credit support but that future cash flows and therefore subsequent results of operations for any particular quarterly or annual period could be adversely affected.

As a result of recent changes in German tax legislation, the Company's tax provision in Germany was higher in 1994 and will be higher in the future. As a result of this Germany tax legislation and the related additional tax provisions, the Company believes its exposure to the issues under the audit referred to above will be reduced for 1994 and future years.

Note 14 (In Part): Commitments and Contingencies

The tax returns of the Company's German subsidiaries are currently under examination by the German tax authorities (see Note 7).

AMOCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Litigation

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 1989. On June 18, 1992, the IRS issued a statutory Notice of Deficiency for additional taxes in the amount of $466 million, plus interest, relating to 1980 through 1982. The corporation has filed a petition in the U.S. Tax Court contesting the IRS statutory Notice of Deficiency. Trial on the matter is scheduled to commence in April 1995. A comparable adjustment of foreign tax credits for each year has been proposed for the years 1983 through 1989 based upon subsequent IRS audits. Similar challenges could arise relating to years subsequent to 1989. The corporation believes that the foreign income taxes have been reflected properly in its U.S. federal tax returns. The corporation is confident that it will prevail in the litigation. Consequently, this dispute is not expected to have a material adverse effect on liquidity, results of operations, or the consolidated financial position of the corporation.

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. 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. 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. 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 or results of operations of the Company.

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. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when the cost can be reasonably estimated. The Company has accrued $2.4 million to reflect its estimated liability for environmental remediation. As assessments and remediation activities progress at each individual site, these liabilities are reviewed to reflect additional information as it becomes available. There have been no environmental problems to date that had or are expected to have a material effect on the Company's financial position or results of operations. While it is reasonably possible that a material loss exceeding the amounts recorded may have been incurred, the preliminary stages of the investigations make it impossible for the Company to reasonably estimate the range of potential exposure.

During 1994, the Company received notices from the Internal Revenue Service (IRS) asserting deficiencies in Federal corporate income taxes for the Company's 1985-1990 taxable years. The total of the adjustments proposed by the IRS amounts to $35 million plus interest. The Company is in the process of filing petitions in the United States Tax Court to challenge most of the IRS asserted deficiencies. The Company believes it has meritorious legal defenses to those deficiencies and believes the ultimate outcome of the case will not result in a material impact on the Company's consolidated results of operations or financial position.

THE FAIRCHILD CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Income Taxes

On July 19, 1993, the Internal Revenue Service (the "Service") completed an examination of the Federal income tax returns for fiscal years ending October 31, 1985 and 1986, and February 28, 1987 for Rexnord Inc., which the Company acquired in 1987. Federal income tax on the adjustments originally proposed by the Service amounted to $15,600,000, excluding interest. In February, 1994, the Service reduced the adjustments and now proposes tax of approximately $10,700,000, excluding interest. The most significant adjustments involve treatment of professional fees incurred by Rexnord Inc. with respect to a proposed recapitalization of Rexnord Inc. The Company has protested the adjustments through the appeals process of the Service. The Company believes these adjustments will be reduced through the appeals process.

In the opinion of management, adequate provision has been made for all income taxes and interest, and 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 or results of operations of the Company.

TALLEY INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

Tax. The Arizona Department of Revenue issued Notices of Correction of Income Tax dated March 17, 1986 to the Company for the fiscal year ending March 31, 1983. These Notices pertain to whether subsidiaries of the Company must file separate income tax returns in Arizona rather than allowing the Company to file on a consolidated basis. The amount of additional Arizona income tax alleged to be due as a result of the Notices of Correction was $0.4 million plus interest. In May 1992 the Arizona Tax Court granted judgment in favor of the Company and against the Department on all claims asserted against the Company. In October 1992 the Tax Court entered judgment in favor of the Company awarding the Company approximately $0.6 million for the Arizona income taxes the Company overpaid for its fiscal year ending March 31, 1983 together with interest and attorneys' fees.

In September 1994, the Arizona Court of Appeals reversed the 1992 Arizona Tax Court ruling that entitled the Company to file a combined tax return in the State of Arizona for the fiscal year ended March 31, 1983. The Company has filed a petition for review with the Arizona Supreme Court. The Company believes the appellate court erred in its decision, but cannot assess the likelihood of the Arizona Supreme Court granting the petition for review. The Company anticipates that the Supreme Court will rule on the petition for review during 1995 and if the petition is granted, the Supreme Court will require an additional eighteen months to rule on the issues. If the appellate court decision stands, the Company would be liable for approximately $1.2 million in taxes and interest for 1983. In May 1993, the Arizona Department of Revenue issued assessments with respect to calendar years 1984 through 1989 alleging that the Company owes additional Arizona income tax and interest in the amount of $16.6 million. Management's preliminary review of the assessments indicates that they were calculated on essentially the same basis used by the Department in its previous claims for income tax due with respect to its fiscal year ended March 31, 1983. If the Company is unsuccessful in its attempts to have the Arizona Supreme Court overturn the appellate court decision related to the 1983 fiscal year, the Company intends to vigorously litigate the Arizona Department of Revenue tax and interest assessments totalling approximately $5.0 million for calendar years 1984 and 1985. The Company does not anticipate a final resolution of the 1984 and 1985 periods for a number of years. Legislation adopted in 1994 in Arizona specifically allows companies to file combined tax returns in Arizona for periods from January 1, 1986 and on December 8, 1994 the Arizona Department of Revenue withdrew its assessments for 1986 and subsequent years. Management believes that the final resolution of the above matter will not result in a material adverse impact on the results of operations or the financial position of the Company.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (In Part): Contingent Liabilities

The company has certain contingent liabilities with respect to material existing or potential claims, lawsuits and other proceedings, including those involving environmental, tax and other matters, certain of which are discussed more specifically below. The company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the company's estimates of the outcomes of these matters and its experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on the company's future results of operations and financial condition or liquidity.

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Tax Matters

The company has received a Notice of Proposed Deficiency from the Internal Revenue Service (IRS) related to a 1985 takeover attempt and efforts undertaken to defeat it. The proposed deficiency, if sustained, would increase the company's 1985 taxable income by up to $607 million, of which $201 million would result in decreases in taxable income in subsequent years. The company believes it has substantial legal defenses to the proposed deficiency. In February 1995, the company filed a protest of the proposed deficiency with the Appeals section of the IRS. In the opinion of management, a successful outcome in these disputes is reasonably likely. Although considered unlikely, substantial adverse decisions could have a material effect on the company's financial condition or operating results in a given year or quarter when such matters are resolved.

Insurance Coverage/Self-Insurance

IMO INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Contingencies

The Company is self-insured for a portion of its product liability and certain other liability exposures. Depending on the nature of the liability claim, and with certain exceptions, the Company's maximum self-insured exposure ranges from $250,000 to $500,000 per claim with certain maximum aggregate policy limits per claim year. With respect to the exceptions, which relate principally to diesel and turbine units sold before 1991, the Company's maximum self-insured exposure is $5 million per claim.

JLG INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

The Company is a party to personal injury and property damage litigation arising out of incidents involving the use of its products. Annually the Company sets its product liability litigation insurance program based on the Company's current and historical claims experience and the availability and cost of insurance. The combination of these annual programs constitutes the Company's aggregate product liability insurance coverage. The Company's program for fiscal year 1994 was comprised of a self-insurance retention of $5 million and catastrophic coverage of $10 million in excess of the retention.

Cumulative amounts estimated to be payable by the Company with respect to pending product liability claims for all years in which the Company is liable under its self-insurance retention have been accrued as liabilities, including $2.2 million for incidents the Company believes may result in claims. Estimates of such accrued liabilities are based on an evaluation of the merits of individual claims and historical claims experience; thus, the Company's ultimate liability may exceed or be less than the amounts accrued. Amounts accrued are paid over varying periods, which generally do not exceed 5 years. The methods of making such estimates and establishing the resulting accrued liability are reviewed continually, and any adjustments resulting therefrom are reflected in current earnings.

LEGGETT & PLATT, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in millions)

J (In Part): Contingencies

Other Risks: The Company obtains insurance for worker's compensation, automobile, product and general liability, property loss, and medical claims. However, the Company has elected to retain a significant portion of expected losses through the use of deductibles. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred. These estimates utilize the Company's prior experience and actuarial assumptions that are provided by the Company's insurance carrier. The total estimated liability for these losses at December 31, 1994 and 1993 was $33.0 and $22.0, respectively, and is included in accrued expenses. The increase in the liability from 1993 to 1994 is not indicative of a change in the Company's loss experience, but rather is due to a change in the procedure for funding these losses with the Company's insurance carrier.

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Contingent Liabilities and Commitments

The Company self-insures for product liability claims. Self-insurance retention liability varies annually based on market conditions and ranges from $3,000,000 to $5,000,000 per occurrence and $9,000,000 to $12,000,000 in aggregate per year. Liabilities in excess of these amounts are the responsibility of the co-insurer.

Government Investigations

IMC FERTILIZER GROUP, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Contingencies

The Company has been named as a defendant, along with other Canadian and U.S. potash producers, in lawsuits filed in federal court in Minnesota and state court in California. The plaintiffs are purchasers of potash, who allege a price fixing conspiracy among North American potash producers beginning in 1987 and continuing until the filing of the lawsuits. Discovery is being conducted with respect to the limited question of whether the court should certify a class or classes of potash purchasers in the Minnesota litigation. The parties in the cases filed in California are awaiting judicial determination as to whether the cases should proceed in federal court in Minnesota or state court in California. While the Company believes that the allegations in the complaints are without merit, until discovery has been completed it is unable to evaluate possible defenses or to make a reliable determination as to potential liability exposure, if any.

The Company has also received a U.S. grand jury subpoena seeking information related to the sale of potash in the U.S. from 1986 to the present. The Company is cooperating with the government and is assembling the information needed to comply with the subpoena. As in the civil antitrust matters described above, while the Company does not believe that violations of the antitrust laws have occurred, the Company is unable to predict the outcome of the government investigation or make a reliable determination as to potential exposure, if any.

RAYTHEON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Commitments and Contingencies

Defense contractors are subject to many levels of audit and investigation. Among agencies that oversee contract performance are the Defense Contract Audit Agency, the Inspector General, the Defense Criminal Investigative Service, the General Accounting Office, the Department of Justice, and Congressional Committees. Over recent years, the Department of Justice has convened Grand Juries from time to time to investigate possible irregularities by the company in government contracting. Management believes that such investigations, individually and in the aggregate, will not have any material adverse effect upon the financial condition of the company.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Commitments and Contingent Liabilities

U.S. Government

The Corporation is now and believes that, in light of the current government contracting environment, it will be the subject of one or more government investigations. If the Corporation or one of its business units were charged with wrongdoing as a result of any of these investigations, the Corporation or one of its business units could be suspended from bidding on or receiving awards of new government contracts pending the completion of legal proceedings. If convicted or found liable, the Corporation could be fined and debarred from new government contracting for a period generally not to exceed three years. Any contracts found to be tainted by fraud could be voided by the Government.

The Corporation's contracts with the U.S. Government are also subject to audits. Like many defense contractors, the Corporation has received audit reports which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involve substantial amounts. The Corporation has made voluntary refunds in those cases it believes appropriate.

Possible Violation Of Export Regulations

CSP INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Contingency:

The Company has been notified by the Department of Commerce that they have reason to believe that the Company has committed violations of certain regulations for export shipments made during the period from September 15, 1990 to July 16, 1991. The Company intends to provide additional evidence that will refute certain of the allegations. However, since this is still in the early stages and no fines or penalties have been proposed by the Department of Commerce, management of the Company is unable to estimate the potential loss, if any that may result from this matter.

Labor Negotiations

CALMAT CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

The Company is in labor negotiations with its Los Angeles plant operators represented by the Operating Engineers Union, whose contract expired on September 15, 1994. If the Company is unable to reach a negotiated settlement, it is likely that a strike would occur which would depress volumes and cause plant efficiencies to suffer.

The Company is subject to various legal proceedings, claims and liabilities 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 have a material adverse effect on the Company's results of operations, cash flow or financial position.

Obligations Of Spun-Off Entity

CERIDIAN CORPORATION (DEC)

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

N (In Part): Commitments and Contingencies

Largely as a result of divestitures and the formation of certain cooperative ventures in recent years, the Company has agreed to incur or retain a variety of contingent liabilities. Most significantly, in connection with the spin-off of Control Data Systems, Ceridian agreed to indemnify the U.S. Pension Benefit Guaranty Corporation ("PBGC") if the Control Data Systems defined benefit pension plan is terminated in a distress termination and the PBGC is unable to recover the full amount of any unfunded benefit liabilities. The maximum amount of this contingent liability, included in the total below, is $16.0, which will decrease by $4.0 each July 31 beginning in 1996. The Company monitors all such contingent liabilities and has accrued for those which it believes are probable of payment. With respect to these contingent obligations, other than litigation, the Company believes that there is a possibility that it may be exposed to estimated losses totaling $25.0 as of December 31, 1994, if third parties fail to meet certain performance requirements. The Company does not anticipate such nonperformance.

Acquisition Subject To Antitrust Review

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Millions Except Per Share Amounts

13. Commitments and Contingent Liabilities

The Company has various contractual commitments to purchase raw materials, products and services totaling $184.9 that expire through 1998.

The Company is a party to various superfund and other environmental matters and is contingently liable with respect to lawsuits, taxes and other matters arising out of the normal course of business. Management proactively reviews and manages its exposure to and the impact of environmental matters. While it is possible that the Company's cash flows and results of operations in particular quarterly or annual periods could be affected by the one-time impacts of the resolution of such contingencies, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material impact on the Company's financial condition or ongoing cash flows and results of operations.

As discussed in Note 16, the acquisition of Kolynos is subject to review by antitrust regulatory authorities in Brazil and Colombia. While it is not yet possible to definitively determine whether or not approval will be obtained, management believes the acquisition, or some variation thereof, will eventually be approved.

16. Subsequent Event—Purchase of Kolynos Oral Care Business

On January 10, 1995, the Company acquired the worldwide Kolynos oral care business ("Kolynos") from American Home Products Corporation for $1,040.0 in cash. Kolynos is a multinational oral care business operating primarily in South America and having a presence in Greece, Taiwan and Hungary. The acquired assets of the Kolynos business, located principally in Argentina, Brazil, Colombia, Ecuador, Peru and Uruguay, include trademarks and other intellectual property, accounts receivable, inventories, and property, plant and equipment that is utilized in the production of toothpaste, toothbrushes, dental floss and oral rinses.

The transaction was structured as a multinational acquisition of assets and stock and will be accounted for under the purchase method of accounting, with the results of operations of Kolynos included with the results of the Company from January 10, 1995. The acquisition will be reviewed by antitrust regulatory authorities in Brazil and Colombia. The financing used to acquire the Kolynos business was provided by commercial banks.

The net book value of Kolynos's assets was approximately $50.0. The Company is currently evaluating the business in order to determine the fair value of assets acquired, including intangibles and goodwill.

The Company expects the acquisition to have a first-year (unaudited) dilutive effect of less than 5% on total Company earnings. Although the Company intends to operate Kolynos in Brazil as a separate operation, there are certain other benefits that are anticipated to be realized from the implementation of the Company's integration plans. The Company believes that future growth opportunities, as well as the benefits of such integration plans when fully implemented, will reduce and eventually more than offset any dilutive impact on earnings per share.

Product Recall

DYNAMICS CORPORATION OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Contingencies

The Company is a supplier to the United States Government under contracts and subcontracts on which there are cost allocation, cost allowability and compliance issues under examination by various agencies or departments of the Federal government. In the course of the resolution of these issues, the Company may be required to adjust certain prices or refund certain payments on its government contracts and subcontracts. The Company believes that any such price adjustments or refunds will not have a materially adverse effect on the financial position of the Company.

In October 1994, the Company, after notifying the Consumer Products Safety Commission, commenced a recall of approximately 2,700 electronic toasters manufactured in the United Kingdom by a third party and distributed in the U.S. by the Company's Waring Products Division, because of a defect in the electronic timer on the units. The Company has advised the manufacturer that it will seek full indemnity from the manufacturer, as provided in the agreement between the parties, for all costs of the recall. The U.K. manufacturer has not responded to the Company's demand for indemnification. It is not possible to reasonably estimate the extent of the Company's liability at this time. However, the costs of the recall are not expected to materially affect the financial position of the Company.

Product Liability

MANVILLE CORPORATION (DEC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

Contingent Product Liability

Between 1988 and 1992, the Company manufactured phenolic roofing insulation which, the Company has learned, contributes to the corrosion of metal decks on which it is installed. Subsequently, the Company exited the phenolic roofing insulation business and embarked upon a voluntary sampling and inspection program of such metal decks.

The Company estimates that approximately 63 million square feet of metal roof deck are insulated with the Company's phenolic roof product, of which approximately 46 percent had been inspected as of December 31, 1994. Based on the statistics compiled from the inspection and sampling program and the Company's claims experience through December 31, 1994 and assuming this experience continues into the future, approximately 1.5 million square feet of roof deck have been remediated or will require remediation. In most cases only "spot remediation" has been required to address the damage to the roof decks. However, the exact square footage of roof deck that will require remediation and the actual cost of such remediation are dependent upon a number of variables and cannot be determined at this time. Through December 31, 1994, the cumulative cash expended by the Company for sampling, inspection, remediation and claims settlement was $9.2 million.

At December 31, 1994, the Company's accrual for future sampling, inspection, remediation and present and anticipated claims totaled $9.1 million. This amount was computed by giving effect to information available from the Company's inspection and sampling program conducted through December 31, 1994, remediation experience, historical claims experience, the types of roofs on which phenolic insulation has been installed and the average cost of remediation, as well as the Company's assumption that its past remediation experience will continue into the future. At December 31, 1994, the Company is in the initial stages of litigation with respect to two phenolic-related claims.

The Company has insurance that applies to property damage resulting from metal deck corrosion; however, at December 31, 1994, the Company was engaged in litigation, commenced by the Company, over the extent of such coverage with National Union Fire Insurance Company, its primary insurance carrier. In addition, the Company is in the initial stages of a lawsuit commenced by the Company against Beazer East, Inc., the former owner of the phenolic roofing insulation business.

Subsequent to December 31, 1994, the Company and its insurance carrier reached a settlement regarding the Company's lawsuit. Under the terms of a confidential settlement agreement, the Company's insurance carrier will be responsible for a portion of certain phenolic-related costs. The insurance carrier's portion of costs under the settlement agreement are expected to more than satisfy the $7 million receivable previously recorded by the Company for future expected recoveries.

Based upon the settlement agreement and the experience, information and assumptions referred to above, in management's opinion the range of the Company's portion of the ultimate gross loss with respect to sampling, inspection, remediation and claims settlement in excess of amounts previously accrued is between zero and $20 million.

Debt Covenant Violation

STONE CONTAINER CORPORATION (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 (In Part): Commitments and Contingencies

At December 31, 1994, the Company, excluding Seminole and SVCPI, had commitments outstanding for capital expenditures under purchase orders and contracts of approximately $75.8 million, of which $49.9 million relates to Stone-Consolidated. Seminole and SVCPI had, at December 31, 1994, commitments outstanding for capital expenditures of approximately $.4 million and $.1 million, respectively.

The Credit Agreement limits, except in certain specific circumstances, any further investments by the Company in Stone-Consolidated and Seminole. Seminole had incurred substantial indebtedness in connection with project financings and is significantly leveraged. As of December 31, 1994, Seminole had $143.1 million in outstanding indebtedness (including $111.7 million in secured indebtedness owed to bank lenders). Seminole produces 100 percent recycled linerboard and is dependent upon an adequate supply of recycled fibre, in particular old corrugated containers ("OCC"). The Company in 1986 entered into an output purchase agreement with Seminole under which it is obligated to purchase and Seminole is obligated to sell to the Company all of Seminole's linerboard production. Under the agreement, the Company paid fixed prices for linerboard, which generally exceeded market prices, until June 3, 1994. Subsequent to that date, the Company began purchasing linerboard at market prices and will continue to do so for the remainder of the agreement which is scheduled to expire on December 31, 2000. Seminole did not comply

with certain financial covenants at September 30, 1994 and accordingly, had received waivers and amendments with respect to such covenants from its bank lenders for periods up to and including June 30, 1995. Additionally, Seminole is in the process of seeking and expects to receive future covenant relief from certain of its other financial covenants covering the periods from March 31, 1995 through March 29, 1996. There can be no assurance that Seminole will not require additional waivers in the future or, if required, that the lenders will grant them. Furthermore, in the event that management determines that it is probable that Seminole will not be able to comply with any covenant contained in the Seminole credit agreement within twelve months after the waiver of a violation of such covenant, then certain Seminole debt would be reclassified as short-term debt under the provisions of Emerging Issues Task Force Issue No. 86-30, "Classification of Obligations When a Violation is Waived By the Creditor." Depending upon the level of market prices and the cost and supply of recycled fibre, Seminole may need to undertake additional measures to meet its financial covenants and its debt service requirements, including obtaining additional sources of funds or liquidity, postponing or restructuring of debt service payments or refinancing the indebtedness. In the event that such measures are required and are not successful, and such indebtedness is accelerated by the respective lenders to Seminole, the lenders to the Company under the Credit Agreement and various other of its debt instruments would be entitled to accelerate the indebtedness owed by the Company.

Realization Of Loss Carryforward

TOSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Commitments and Contingencies

Tosco's NOL, investment tax and AMT credit carryforwards (Note 12) are subject to various complex tax rules and regulations which may be subject to varying interpretations. These carryforwards may be adversely affected by changes in the rules and regulations or significant changes in the ownership of Tosco or its trade or business. Therefore, the future benefit of these carryforwards, although more likely than not realizable under current rules and regulations, is not assured.

GAIN CONTINGENCIES

Plaintiff Litigation

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Legal Proceedings

In January 1992, the Company commenced a legal action in the U.S. District Court for the Southern District of New York against Ambase Corporation to recover approximately $1.7 million owed to the Company for printing services rendered in 1991. In a response filed in March 1992, Ambase denied any obligations to pay the amounts owed to the Company and in a counterclaim against the Company asserted that as a result of the failure by the Company to complete the printing of certain proxy materials on time, Ambase was damaged in an amount in excess of $23 million. The Company believes this counterclaim is without merit and is pursuing its action for payment and is defending against the counterclaim vigorously. Accordingly, no provision has been made in the Company's financial statements with respect to the counterclaim against the Company. In the opinion of the Company's management, the ultimate resolution of these claims will not have a material adverse effect on the Company's financial position.

DEP CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Legal:

On March 2, 1994, the Company filed a complaint against S.C. Johnson & Son, Inc. ("S.C. Johnson") alleging, among other things, that, in violation of its Purchase Agreement with the Company, S.C. Johnson wrongfully altered its North American marketing and sales practices prior to the closing of its sale of the Agree and Hälsa trademarks and certain related assets to the Company in August 1993. The complaint was filed in the United States District Court in Los Angeles County and seeks rescission of the transaction, monetary damages in an amount to be determined, and other relief. In April 1994, S.C. Johnson and a subsidiary filed related lawsuits in Ontario, Canada and Wisconsin, which the Company is seeking to consolidate with the above California action.

In the opinion of management there are no pending legal proceedings, including the S.C. Johnson matter discussed above, which will have a material adverse effect on the Company's financial position or results of operations.

THE FAIRCHILD CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Commitments and Contingencies

Civil Litigation

Maurice Bidermann Litigation

The Company commenced an action in the United States District for the Southern District of New York, following the breach by Maurice Bidermann ("Bidermann") of an agreement under which Bidermann was to have paid the Company an aggregate sum of approximately $22,500,000, of which Bidermann paid $10,000,000. Additional installments, of $5,000,000 each, were due from Bidermann on December 31, 1992, and June 30, 1993, both of which Bidermann failed to pay. On July 7, 1993, the United States District Court ordered Bidermann to pay the Company the full amount of its claim, $12,947,000, plus interest. Following receipt of the Court's order, Bidermann filed for protection under Chapter 11 of the United States Bankruptcy Code; however, subsequent to the 1994 fiscal year end, on motion of the Company, the Bankruptcy Court dismissed Bidermann's Chapter 11 proceedings. Prior to Bidermann's filing for protection under Chapter 11, and continuing subsequent to the Bankruptcy Court's dismissal of the proceedings, the Company attached substantially all assets of Bidermann. In addition, the Company holds shares and warrants of Bidermann Industries, USA, Inc., all of which shares and warrants Bidermann had originally agreed to purchase from the Company for $22,500,000. The collectibility of this judgement, which has been affirmed by the United States Court of Appeals, will depend in part upon the Company's ability to realize sufficient amounts from its attachments, and the value of the shares and warrants held.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands)

Note 12 (In Part): Commitments, Contingencies and Off-Balance-Sheet Risks

On May 21, 1993, a Federal court jury in Madison, Wisconsin awarded Beloit Corporation $17,200 following a patent infringement trial against J.M. Voith GmbH of Germany and its subsidiary, Voith, Inc. The jury had determined that Beloit's patents on its new Bel-Champ™ technology for the drying section of large paper manufacturing machines were valid and infringed by Voith in connection with Voith's sale of a paper machine dryer section. The verdict of this patent infringement trial has been appealed by Voith. The award has not been recorded in the Company's financial statements.

In addition, on November 23, 1994, a Federal court jury in Madison, Wisconsin returned a verdict finding Valmet Corporation of Finland guilty of infringing a key patent held by Beloit Corporation on the same Bel-Champ paper machine drying technology. In connection with this suit, the jury awarded Beloit $7,875 in damages. It is expected that the verdict in this case will be appealed by Valmet and the award has not been recorded in the Company's financial statements.

PHILIP MORRIS COMPANIES INC. (DEC)

NOTES TO THE FINANCIAL STATEMENTS

Note 15 (In Part): Contingencies

In March 1994, the Company and PM Inc. filed an action against American Broadcasting Companies, Inc. and others alleging injury caused by false and defamatory statements made by defendants on various nationally televised news programs. Among the statements giving rise to the action is defendants' claim that tobacco companies, including PM Inc., artificially "spike" and "fortify" their cigarettes sold in the United States with additional nicotine. The Company and PM Inc. seek compensatory and punitive damages totaling $10 billion. Litigation is subject to many uncertainties and the Company and PM Inc. are unable to predict the outcome of this matter. Pretrial discovery continues.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO THE FINANCIAL STATEMENTS

Note 16 (In Part): Contingent Liabilities and Commitments

Insurance Recoveries

The Corporation has filed actions against over 100 of its insurance carriers seeking recovery for environmental, product and property damage liabilities, and certain other matters. The Corporation has settled with several of these carriers and has received recoveries related to these actions. Amounts received to date generally have been applied to cover obligations assumed through the settlements or litigation costs. The Corporation has not accrued for any future insurance recoveries.

Contingent Receivables

THE ALLEN GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Acquisitions and Dispositions

On June 11, 1993, the Company sold its Allen Test products division and its wholly-owned leasing subsidiary, The Allen Group Leasing Corp. ("Leasing"), to SPX Corporation ("SPX"). Allen Testproducts manufactured and sold automotive engine diagnostic and test equipment for the automotive service industry and provided product financing through Leasing.

At the closing, the Company received $21,000,000 and an 8% Subordinated Note of SPX dated June 11, 1993. The Note, in the amount of $19,737,000, was paid in full on May 4, 1994 pursuant to a prepayment option. The Company also will receive non-competition payments for a three-year period based upon a sliding scale from 1% to 3.5% of sales of the newly combined automotive engine diagnostic businesses of Allen Test products and SPX's Bear division. Such payments are recorded by the Company when earned and amounted to $1,760,000 and $880,000 in 1994 and 1993, respectively.

CAESARS WORLD, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Receivables

Contingent Receivable

In 1993, the Company announced it had entered into a management operating agreement with one of the bidders for a casino development in New Orleans. In August 1993, the bid was awarded to another operator and the Company's participation in the project ended. Pursuant to a settlement agreement with the Company's former co-venturer in the New Orleans project, the Company is to receive $5,000,000 for the Company's expenses and pre-development services contingent upon the co-venturer obtaining financing to construct a casino development in New Orleans in association with the successful bidder for the project. The Company is unable to predict the timing or probability of collection of this settlement.

TANDY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21 (In Part): Discontinued Operations

On June 25, 1993, the Board of Directors of Tandy adopted a formal plan of divestiture under which the Company would sell its computer manufacturing and marketing businesses, the O'Sullivan Industries, Inc. ("O'Sullivan") ready-to-assemble furniture manufacturing and related marketing business, the Memtek Products division and the Lika printed circuit board business.

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O'Sullivan Industries. On January 27, 1994 the Company announced that it had reached an agreement with the underwriters to sell all the common stock of O'Sullivan Industries Holdings, Inc., the parent company of O'Sullivan, to the public at $22 per share. The net proceeds realized by Tandy in the initial public offering, together with a $40,000,000 cash dividend from O'Sullivan Industries, Inc., approximated $350,000,000. The initial public offering closed on February 2, 1994.

Tandy has recognized income of approximately $4,399,000, net of tax, during the year ended December 31, 1994, pursuant to a Tax Sharing and Tax Benefit Reimbursement Agreement between Tandy and O'Sullivan under which Tandy receives payments from O'Sullivan approximating the federal tax benefit that O'Sullivan realizes from the increased tax basis of its assets resulting from the initial public offering. The higher tax basis increases O'Sullivan's tax deductions and, accordingly, reduces income taxes payable by O'Sullivan. These payments will be made over a 15-year time period and are contingent upon O'Sullivan's taxable income each year. The Company recognizes these payments as additional sale proceeds and gain in the year in which the payments become due and payable to the Company pursuant to the Tax Sharing and Tax Benefit Reimbursement Agreement. The additional gain is recorded as a reduction of SG&A expense in the accompanying Consolidated Statements of Income.

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 the various commitments disclosed in the 1994 annual reports of the survey companies.

Examples of commitment disclosures follow.

TABLE 1-12: COMMITMENTS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Dividend restrictions	355	369	379	386
Purchase agreements	98	90	77	78
Capital expenditures	88	86	86	86
Employment contracts	37	37	31	35
Additional payments in connection with an acquisition	22	20	23	24
Sales agreements	12	11	16	15
Other—described	54	58	37	62

Obligations to Maintain Working Capital Or Restrict Dividends

ALBERTO-CULVER COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Long-term Debt

Various borrowing arrangements impose restrictions on such items as total debt, working capital, dividend payments, treasury stock purchases and interest expense. At September 30, 1994, the company was in compliance with these arrangements and $73.9 million of consolidated retained earnings was not restricted as to the payment of dividends and purchases of treasury stock.

DIXIE YARNS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E (In Part): Long-term Debt and Credit Arrangements

The Company's long-term debt and credit arrangements contain financial covenants relating to minimum net worth, debt to capitalization, dividends and certain financial ratios. Under restrictions set forth in the Company's subordinated note agreement, future dividends may be paid only to the extent that 75% of cumulative income before extraordinary items for periods subsequent to December 31, 1994 exceeds $3,892,000.

IBP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Long-Term Obligations:

IBP's loan agreements contain certain restrictive covenants which, among other things, (1) require the maintenance of a minimum current ratio, adjusted net worth and debt service coverage ratio; (2) provide for a maximum funded debt ratio; and (3) place certain restrictions on the declaration and payment of dividends and similar distributions. As of December 31, 1994, approximately $164 million of stockholders' equity was available for the payment of dividends and other similar distributions.

MUNSINGWEAR, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

3 (In Part): Financing Arrangements, Long-Term Debt and Extraordinary Loss from Early Debt Extinguishment

In late 1994, the Company entered into a new bank line of credit under which up to $25,000,000 is available for borrowings and letters of credit through September 1997. Borrowings and letters of credit are limited to an aggregate amount equaling approximately 80% of eligible receivables and 60% of eligible finished goods inventories and letters of credit. Substantially all the assets of the Company are pledged as collateral under the agreement. Borrowings under the facility are payable on demand and bear interest at the bank's base rate of interest plus .75% (9.25% at January 7, 1995). At January 7, 1995, borrowings were $5,592,000 and amounts utilized for outstanding letters of credit were $6,091,000 under this agreement. Additional availability at January 7, 1995 was $2,824,000. The agreement contains a commitment fee of .5% per annum on the unused line of credit and also contains cross default provisions to other agreements and other covenants which, among other matters, require maintenance of certain financial ratios and restrict the sale of assets and consolidation or merger of the Company with another entity. Additionally, the Company is limited in incurring additional indebtedness and liens on assets. As of January 7, 1995, the Company was in compliance with or has received waivers for all such requirements.

SPX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 (In Part): Notes Payable and Debt

Restrictive Covenants. The company's revolving credit agreement and senior subordinated note indenture contain covenants. At December 31, 1994, the company was in compliance with such covenants. Under the most restrictive of these covenants, the company is required to:

- Maintain a leverage ratio, as defined, of 78% in 1994, declining on a graduated scale to 65% in 1999. The leverage ratio at December 31, 1994 was 74%.
- Maintain an interest expense coverage ratio, as defined, of 2:1 or greater in 1994 rising on a graduated scale to 3.5:1 or greater in 1998 and thereafter. The interest expense coverage ratio at December 31, 1994 was 2.5:1.
- Maintain a fixed charge coverage ratio, as defined, of 1.75:1 or greater in 1994 and 1995, and 2:1 or greater thereafter. The fixed charge coverage ratio at December 31, 1994 was 1.84:1.
- Limit dividends to $8 million for the five quarters starting with the first quarter of 1994, and are limited to 10% of operating income plus depreciation and amortization (EBITDA) thereafter. Dividends for the four quarters ending December 31, 1994 were $5.1 million.

Covenants also limit capital expenditures, investments and transactions with affiliates.

SAVANNAH FOODS & INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Long-term Debt and Credit Arrangements

The Company's most restrictive loan covenants require that the Company maintain stockholders' equity of $174,703,000 plus 20% of consolidated net income beginning with fiscal year 1994 and ending with calendar year 1996 and that the Company maintain certain financial ratios. These financial ratio covenants include a requirement that the ratio of income before taxes, interest expense and lease expense to the sum of interest and lease expense be 1.4, or greater, through March 31, 1995 and 2.0, or greater, thereafter. The Company is in compliance with these requirements at October 2, 1994 and expects to be in compliance with such requirements in the future.

Purchase Contracts

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Millions of dollars

Note 17 (In Part): Other Contingent Liabilities and Commitments

The Company and its subsidiaries have certain contingent liabilities with respect to long-term unconditional purchase obligations and commitments, throughput agreements and take-or-pay agreements, some of which relate to suppliers' financing arrangements. The aggregate amount of required payments under these various commitments are 1995–$141; 1996–$137; 1997–$102; 1998–$89; 1999–$86; 2000 and after–$497. Total payments under the agreements were $154 in 1994, $142 in 1993 and $128 in 1992.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS
In millions, except for share amounts

Q (In Part): Commitments and Contingent Liabilities

At December 31, 1994, the Company had various outstanding commitments for take or pay and throughput agreements, including the Canadian subsidiary's take or pay ethylene contract, for terms extending from one to 20 years. In general, such commitments were at prices not in excess of current market prices. The table below shows the fixed and determinable portion of the take or pay and throughput obligations:

Fixed and Determinable Portion of Obligations

1995	$200
1996	168
1997	155
1998	142
1999	73
2000 through expiration of contracts	197
Total	$935

In addition to the take or pay and throughput obligations, the Company had other outstanding commitments at December 31, 1994, including ship charters, purchase commitments for materials and property, and other purchases used in the normal course of business. Total purchase obligations under the agreements were $244. In general, such commitments were at prices not in excess of current market prices.

KIMBERLY-CLARK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments

Other

The Corporation has entered into long-term contracts for the purchase of certain raw materials. Minimum purchase commitments, at current prices, are approximately $230 million in each of the years 1995 and 1996. These purchase commitments are not expected to result in losses.

MEDIA GENERAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part):

The Company has outstanding commitments for capital expenditures of $3 million at December 25, 1994. The Company is committed to purchase approximately $34 million of program rights over the next six years which currently are not available for broadcast, including programs not yet produced. If such programs are not produced the Company's commitment would expire without obligation.

THE PITTSTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

18. Commitments

At December 31, 1994, 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 $276,111 and expire from 1995 through 1998 as follows:

1995	$105,112
1996	89,219
1997	56,970
1998	24,810
	$276,111

Purchases under the contracts were $53,097 in 1994, $81,069 in 1993 and $74,331 in 1992.

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M (In Part): Contingent Liabilities and Commitments

In order to assure an adequate supply of certain raw material requirements, the Company has committed to pay its proportionate share of annual production charges (including debt service) relating to its interests in certain unincorporated joint ventures and associated companies. These arrangements include minimum commitments of approximately $45 million annually through 1999 and additional amounts thereafter which together, at present value, aggregate $190 million at December 31, 1994, after excluding interest of $36 million and variable operating costs of the facilities. During 1994 approximately $190 million (1993–$195 million; 1992–$200 million) of raw materials were purchased under these arrangements.

TEMTEX INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L. Share Repurchase Agreement

On December 21, 1976, the stockholders approved a Share Repurchase Agreement (the "Agreement") among the Company, the Chairman of the Board of Directors (the "Chairman"), and a trustee under which the Company may be required to purchase a number of shares of common stock from the Chairman's estate upon his death. The purchase price of a share of common stock under this Agreement is to be 90% of the quoted market value at the date of the Chairman's death. The aggregate purchase price may not exceed the lesser of certain taxes and expenses associated with his death or the benefits under a certain life insurance policy on the life of the Chairman. This policy, purchased by the Company at an annual premium of $21,000, has been transferred to the Trustee under this Agreement.

The Company is not required to purchase any shares of common stock under the Agreement if such purchase would result in an impairment of its capital or would violate state laws in effect at that date.

WM. WRIGLEY JR. COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part):

On June 9, 1994, the Company agreed to an unsolicited offer from the Wrigley Memorial Garden Foundation, to purchase 345,072 shares of Wrigley Common Stock in four quarterly installments. The purchase amount is based on the average New York Stock Exchange daily closing price of the Company's Common Stock during each quarter. Pursuant to this agreement the Company purchased 172,536 shares of Wrigley stock during 1994 at an average price of $44.19.

Capital Expenditures

CONSOLIDATED PAPERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Commitments. As of December 31, 1994, the company had capital expenditure purchase commitments outstanding of approximately $17.4 million.

DAYTON HUDSON CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part):

Commitments for the purchase of real estate, construction of new facilities, remodeling of existing facilities and other equipment purchases over the next year were approximately $367 million at January 28, 1995.

THE STANDARD REGISTER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

Purchase commitments for capital improvements aggregated $1,817,000 at January 1, 1995. Also, the Company has purchase commitments for equipment for resale of $4,405,000 at January 1, 1995. In addition, the Company has entered into several agreements with suppliers to purchase specified minimum quantities of raw materials through 1995.

WEYERHAEUSER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (In Part): Legal Proceedings, Commitments and Contingencies

Other Items

The company's capital expenditures, excluding acquisitions, have averaged about $855 million in recent years but are expected to approximate $1.2 billion in 1995; however, the 1995 expenditure level could be increased or decreased as a consequence of future economic conditions. The company had approximately $306 million in capital expenditures committed on major projects at year-end 1994.

Employment Contracts

ASTROSYSTEMS, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note D (In Part): Contingencies and Commitments:
6. Employment contracts with the officers of the Company, which may be terminated by the Company on not less than three years prior notice, provide for minimum annual total compensation of approximately $732,000. In the event of death or disability of the Company's principal officers, the contracts call for payments of 50% of compensation paid in the preceding fiscal year for the three years following such event. The Company has insurance policies on the lives of the aforementioned officers to fund such obligation.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies and Commitments (In Part):
The Company has employment agreements with its executive officers, the terms of which expire at various times through July 31, 1999. 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 July 30, 1994, excluding bonuses, was approximately $10,000,000.

JACOBS ENGINEERING GROUP INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingencies
The Company has entered into an employment agreement expiring September 30, 1999 with the Chairman of its Board of Directors. The agreement provides for base payments of $425,000 per year to either the Chairmán or, in the event of his death, his beneficiary. The agreement also provides that the Chairman may participate in any bonus plan sponsored by the Company, specifies certain promotional and other activities to be performed by the Chairman in the event he leaves employment with the Company, and contains other provisions, including some intended to prevent the Chairman from entering into any form of competition with the Company.

SPX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Commitments and Contingent Liabilities
Executive Severance Agreements. During 1988, the company's Board of Directors adopted executive severance agreements which create certain liabilities in the event of the termination of the covered executives following a change of control of the company. The aggregate commitment under these executive severance agreements should all 10 covered employees be terminated is approximately $15 million. Additionally, should a change in control occur, restrictions on any outstanding restricted stock and stock options granted under the 1992 Stock Compensation Plan would lapse.

Additional Payments Related to Acquisitions

DELUXE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Acquisitions
On September 24, 1993, the Company acquired all of the outstanding capital stock of PaperDirect, Inc., a direct mail marketer of specialty papers and related products to the desktop publishing industry, for $90 million in cash. In addition, the Company agreed to pay $9 million over three years for a covenant not to compete. The Company may be required to make additional payments of up to $16 million per year over a period ending December 31, 1996, contingent upon the results of PaperDirect's operations over the course of that period. Based on PaperDirect's 1993 operating results, the Company paid $16 million to PaperDirect's former shareholders in 1994. The acquistion was accounted for using the purchase method. Accordingly, the purchase price was allocated to assets acquired based on their estimated fair values. This treatment resulted in approximately $100 million of cost in excess of net assets acquired. Such excess (which will increase for any future contingent cash payment) is being amortized on a straight-line basis over 30 years. 1993 consolidated results include PaperDirect's results of operations from the date of acquisition through the end of the year.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Acquisitions and Nonrecurring Items

On May 31, 1994, the Company acquired substantially all of the business assets and assumed the associated debts and liabilities of Kransco, a San Francisco-based designer, manufacturer and marketer of brand name recreational and sporting products, including POWER WHEELS battery-powered, ride-on vehicles; HULA HOOP and FRISBEE products marketed under the WHAM-O trademark; STREET JAM sporting goods; and MOREY BOOGIE bodyboards. The purchase price included net cash consideration of $254.6 million, including costs directly related to the acquisition. In addition, the Company repaid $20.0 million of Kransco's short-term borrowings concurrent with consummation of the asset purchase transaction. The asset purchase agreement also provides for future contingent consideration in the event that net sales of the POWER WHEELS product line reaches or exceeds certain levels in each of calendar years 1994, 1995 and 1996. The contingent consideration payable with respect to any year shall not exceed $8.6 million. As of December 31, 1994, $8.6 million of contingent consideration was payable, and as a result the goodwill initially recorded was increased.

The acquisition has been accounted for under the purchase method of accounting and, accordingly, the operating results of Kransco have been included in the Company's consolidated financial statements since the date of acquisition. The estimated fair market value of assets and liabilities acquired was $99.4 million and $37.2 million, respectively. The excess of the aggregate purchase price over the estimated fair market value of the net assets acquired was approximately $221 million, which is being amortized on a straight-line basis over 20 years.

MEREDITH CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingent Liabilities

The purchase agreement related to the acquisition of North Central by Strategic Partners provides for contingent payments to the former owners if actual cash flows exceed certain targeted cash flows. There were no contingent payments owed for fiscal 1994 or 1993. None are expected to be paid in the near future (see Note 5).

Software Development

ANACOMP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

In November 1993, Anacomp and Pennant Systems, a division of IBM, announced a joint effort to develop software which will allow Anacomp's XFP 2000 to process and image IBM Advanced Function Presentation (AFP) formatted data. This program will result in the XFP 2000 being able to interpret AFP data streams, including, as with the Xerox program, those containing fonts, logos, signatures and other images on microfiche.

As consideration for the development of the AFP, Anacomp agreed to pay Pennant Systems a development fee of $6,500,000 payable quarterly from January 1994, through April 1995. At September 30, 1994, $5,250,000 remains to be paid; $2.5 million has been accrued; and $2.75 million relates to services to be performed.

Anacomp also must pay Pennant Systems royalty payments for the licensed system installations over the next six years. The minimum royalty payments for years one through three is $1,500,000 per year and $1,000,000 per year for years four through six. In addition, Anacomp must pay Pennant Systems for ongoing system support which begins in December 1995 and continues for 10 years. The minimum system support payments over the 10-year period are $5,671,000.

Put and Call Agreements

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Commitments and Contingent Liabilities

Put and Call Agreements

James River is a party to a put and call arrangement related to the 13.6% minority interest in Jamont currently owned by EuroPaper Inc. ("EuroPaper"). Pursuant to the agreement, EuroPaper may put its interest in Jamont (the "EuroPaper Shares") to James River during May 1996 and James River may call the EuroPaper Shares during August 1996, each at a fixed price of 1.04 billion French francs ($191.3 million using exchange rates in effect as of December 25, 1994). In addition, Jamont Holdings has a separate call agreement with EuroPaper under which it may call the EuroPaper Shares through April 1996 at a formula price. While it is not practicable to estimate the fair value of this put and call arrangement, as it relates to an untraded entity, management believes that a European economic recovery is currently underway and that, by the defined put exercise dates, the value of the EuroPaper Shares will not be significantly less than the put price, excluding the potential impact of currency translation losses, if any.

James River and CRSS Capital, Inc. ("CRSS") each own 50% of the Naheola Partnership. In Novermber 1994, James River exercised its call option for CRSS's 50% interest in the Naheola Partnership, with closing anticipated in the spring of 1995. The call price will be determined based on a formula established at the inception of the partnership. James River's exercise of its call option has terminated a put option held by CRSS. CRSS has refused to recognize the validity of the call by James River and the parties are currently in litigation over the call and the valuation of the CRSS interest in the Naheola Partnership.

Contributions to Foundation

MEDTRONIC, INC. (APR)

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

Note 12. Commitments and Contingencies

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

The Medtronic Foundation, funded entirely by the company, was established to maintain good corporate citizenship in its communities. In 1993, the company made a commitment to contribute $12,000 over a five-year period ending September 30, 1997. At April 30, 1994, the remaining balance of this commitment was $11,365. Commitments to the Medtronic Foundation are expensed when authorized and approved by the company's Board of Directors.

Apparel License and Design Agreements

OXFORD INDUSTRIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E. Commitments and Contingencies:

The Company has operating lease agreements for buildings, sales offices and equipment with varying terms to 2006. The total rent expense under all leases was approximately $4,883,000 in 1994, $5,654,000 in 1993 and $5,932,000 in 1992.

The aggregate minimum rental commitments for all non-cancellable operating leases with terms of more than one year are as follows:

$ in thousands	
Fiscal year:	
1995	$3,816
1996	2,788
1997	1,639
1998	1,314
1999	1,160
Thereafter	1,950
	$12,667

The Company is also obligated under certain apparel license and design agreements to make future minimum payments as follows:

$ in thousands	
Fiscal Year:	
1995	$3,236
1996	3,241
1997	3,498
1998	2,700
1999	2,700
	$15,375

The Company uses letters of credit to facilitate certain apparel purchases. The total amount of letters of credit outstanding at June 3, 1994 was approximately $36,000,000.

Put Options

WMX TECHNOLOGIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

During 1994, the Company sold put options on 17.9 million shares of its common stock. The put options give the holders the right at maturity to require the Company to repurchase shares of its common stock at specified prices. Proceeds of $29,965,000 from the sale of put options were credited to additional paid-in capital. The amount the Company would be obligated to pay to repurchase shares of its common stock if all outstanding put options were exercised has been reclassified to a temporary equity account. In the event the options are exercised, the Company may elect to pay the holder in cash the difference between the strike price and the market price of the Company's shares, in lieu of repurchasing the stock.

Options on 9.0 million shares expired unexercised in 1994, as the price of the Company's stock was in excess of the strike price at maturity. Options on 4.7 million shares were exercised in February 1995, and the Company elected to settle them for cash at a total cost of $12,019,000. The remaining 4.3 million options expire in July and August 1995, at strike prices ranging from $25.588 to $28.833 per share. The Company sold additional put options in February and March 1995 to replace those which matured. The new options expire in October and November 1995 at strike prices of $26.11 to $26.58 per share.

Contract to Operate Certain Facilities

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Contract with Electronic Data Systems

In June 1994, the Company awarded a contract to Electronic Data Systems Corp. (EDS) to operate the Company's worldwide data processing and telecommunications network. EDS has assumed responsibility for virtually all of the Company's mainframe data processing, its computer network services and telecommunications, and will provide maintenance and other support services to the Company's active computer applications that support current internal Xerox processes. The contract does not transfer to EDS responsibility for the development of new data processing applications. As part of the contract, EDS purchased, at approximately book value, substantially all of the Company's information management assets for $150 million. Approximately 1,300 Xerox employees have become employees of EDS during the second half of 1994.

The contract is for ten years and is valued at $3.2 billion. Minimum payments due EDS under the contract for each of the next five years are as follows (in millions):

1995	1996	1997	1998	1999
$362	$349	$325	$289	$250

These minimum payments will be amended over time to reflect the transfer to EDS of responsibility for the management of any new data processing applications, certain inflationary effects and other changing business conditions.

FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board has issued 3 statements concerning financial instruments. *SFAS No. 105* requires that certain information be disclosed about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk. *SFAS No. 107*, which is effective for entities with total assets of $150 million or more, requires such entities to disclose the fair value of financial instruments. *SFAS No. 119*, which is effective for fiscal years ending after December 15, 1994 for entities with total assets of $150 million or more, requires certain disclosures for derivative financial instruments. Both *SFAS No. 107* and *SFAS No. 119* will apply to entities with total assets of less than $150 million for fiscal years ending after December 15, 1995.

Table 1-13 lists the various financial instruments most frequently disclosed in the 1994 financial statements of the survey companies. As required, many survey companies disclosed the fair value of interest rate contracts and foreign currency contracts.

The bases commonly used to estimate fair value for interest rate contracts were market quotes, broker quotes, and estimated termination value. The bases commonly used to estimate fair value for foreign currency contracts were market or broker quotes or the carrying amount of the contract approximated its fair value. For other types of off-balance-sheet financial instruments such as financial guarantees, commitments to make loans, and receivables sold with recourse only a very few survey companies disclosed fair value information. With regard to financial instruments recognized in the balance sheet, the assets and liabilities for which the survey companies most frequently disclosed fair value information included cash equivalents, short-term investments and receivables, long-term investments and receivables, and debt.

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

TABLE 1-13: FINANCIAL INSTRUMENTS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Foreign currency contracts	294	254	228	201
Interest rate contracts	235	230	210	185
Commodity contracts	79	56	47	34
Guarantees:				
Debt	108	103	106	119
Lease payments	37	39	39	39
Contract performance	24	30	25	24
Support agreements	11	18	23	30
Other	21	19	21	23
Letters of credit	149	167	150	164
Sale of receivables with recourse	75	56	70	73

DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Contracts

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial instruments with off-balance sheet risks

The company selectively uses foreign currency forward and option contracts to offset the effects of exchange rate changes on cash flow exposures denominated in foreign currencies. These exposures include firm or anticipated intercompany trade accounts, royalties, service fees, dividends, intercompany loans and third party sales or payments. The primary exposures are denominated in European currencies and the Canadian dollar. The company normally hedges cash flow exposures up to one year. The company's foreign currency cash flow exposures, the net hedge and the unhedged exposure at December 31, 1994, were as follows:

Foreign currency exposure *(millions)*[1]	Gross	Net hedge	Unhedged
Canadian dollar	$42.0	$36.0	$6.0
German mark	38.0	38.0	—
British pound	28.3	15.5	12.8
French franc	25.02	24.3	.7
Italian lira to French franc	15.6	10.8	4.8
French franc to German mark	12.7	7.7	5.0
German mark to British pound	10.0	7.1	2.9
Other	37.6	20.8	16.8
Total	$209.2	$160.2	$49.0

Note 1: The currencies shown are in relation to the U.S. dollar, except as indicated.

Realized and unrealized gains and losses on contracts that are used to offset the effects of exchange rate changes on foreign currency cash flows are normally marked to market and recognized in statements of operations. The foreign currency options consist primarily of purchased options that are designated as effective hedges and are deferred and included in income as part of the underlying transactions.

Realized and unrealized gains and losses on foreign currency contracts used to hedge intercompany transactions of a long-term investment nature are included in the foreign currency translation components of shareholders' equity.

The company's foreign currency forward and option contracts by currency at December 31, 1994, were as follows. All of the contracts mature within eight months.

Foreign currency contracts *(millions)*[1]	Forward contracts		Option contracts	
	Sold	Bought	Sold	Bought
Canadian dollar	$26.7	$1.4	—	$10.7
German mark	27.1	3.2	—	14.1
British pound	12.4	—	—	3.1
French franc	17.6	—	—	6.7
Italian lira to French franc	10.8	—	—	—
French franc to German mark	7.7	—	—	—
German mark to British pound	7.1	—	—	—
Other	20.8	—	—	—
Total	$130.2	$4.6	—	$34.6

Note 1: The currencies shown are in relation to the U.S. dollar, except as indicated, and are converted at year-end market exchange rates.

The company selectively enters into interest rate swap agreements to reduce the impact of interest rate changes on its debt. The interest rate swap agreements involve exchanges of fixed or floating rate interest payments without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to loss.

In 1987, the company entered into a seven-year notional $15 million interest rate swap whereby the company paid interest at the 30-day U.S. commercial paper rate and received interest at a fixed rate of 10.22%. The swap matured in 1994.

In 1987, the company entered into one five-year and two seven-year currency interest rate swaps whereby the company exchanged a total of U.S. $86.3 million for German marks 90 million, French francs 182.4 million and Belgian francs 270 million to hedge net investment in foreign subsidiaries. The agreements provided for the company to make fixed interest rate payments of 5.37% for the German mark swap, 8.88% for the French franc swap and 7.8% for the Belgian franc swap while receiving interest at the 30-day U.S. commercial paper rate. The swaps hedged net investment in foreign subsidiaries until 1992, at which time they were redesignated to hedge foreign currency cash flow exposures. Upon redesignation, the swaps were marked to market through income. The German mark swap matured in 1992. The two remaining swaps were terminated prior to maturity in 1993 due to the appreciation of the foreign currencies at a pretax loss of $.7 million that was recognized in other income and expense.

In 1992, the company entered into two three-year notional amount $50 million interest rate swaps, whereby the company paid interest at the six-month London Interbank Offered Rate (LIBOR) in arrears and received interest at an average fixed rate of 6.6%. The swaps were terminated prior to maturity in 1993 due to a rising LIBOR at a pretax gain of $2.5 million that was recognized in income.

In 1993, the company entered into a five-year notional amount $25 million interest rate swap, whereby the company paid interest at the six-month LIBOR and received interest at a fixed rate of 5.575%. The swap was terminated in 1994 due to a rising LIBOR at a pretax loss of $.1 million that was recognized in income.

The foreign currency hedges and the swap agreements are straightforward "plain vanilla" contracts that have no imbedded options or other terms that involve a higher level of complexity or risk.

The realized and unrealized gains and losses relating to the company's management of foreign currency and interest rate exposures are shown below on a disaggregated basis for the years ended December 31, 1994 and 1993.

	Foreign currency			
Gain (loss) *(millions)*	Exposure effect	Contracts[1]	Net effect[2]	Interest rate swaps
Year 1994				
Income statement: Realized	$(.7)	$(2.5)	$(3.2)	$.2
Unrealized	—	.4	.4	—
On balance sheet: Realized	2.1	(5.8)	(3.7)	—
Unrealized	4.8	(.2)	4.6	—
Off balance sheet	—	—	—	—
Total	$6.2	$(8.1)	$(1.9)	$.2
Year 1993				
Income statement: Realized	$(.8)	$(2.8)	$(3.6)	$7.0
Unrealized	—	(.9)	(.9)	—
On balance sheet: Realized	—	—	—	—
Unrealized	(1.2)	.2	(1.0)	—
Off balance sheet	—	—	—	.4
Total	$(2.0)	$(3.5)	$(5.5)	$7.4

Note 1: The company borrows centrally and enters into foreign currency intercompany transactions of a long-term investment nature with foreign subsidiaries. These are fully hedged. Accordinly, gains and losses on these transactions are fully offset by losses and gains from the related foreign exchange contracts.

Note 2: Excludes the offsetting effect of interest rate differentials on underlying intercompany transactions being hedged of $.6 million in 1994 and $.5 million in 1993.

The company continually monitors the market risk of its foreign currency and interest rate contracts by marking the positions to market. The counterparties to these instruments are major international financial institutions. The company uses commercial rating agencies to evaluate the credit quality of the counterparties, and the company does not anticipate a loss resulting from any credit risk of these institutions.

As of December 31, 1994, the company had provided $96 million in standby letters of credit and financial guarantees. The company does not normally provide collateral or other security to support these instruments.

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In millions, except share data

1 (In Part): Significant Accounting Policies

Financial Instruments—Derivative financial instruments are used by the Company in the management of its interest rate and foreign currency exposures and are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related asset or liability being hedged. Gains and losses resulting from effective hedges of existing assets, liabilities or firm commitments are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items. Gains realized on termination of interest rate swap contracts are deferred and amortized over the remaining terms of the original swap agreements. Costs of interest rate cap contracts are amortized over the effective lives of the contracts.

8. Financial Instruments and Risk Management

Risk Management—The Company operates internationally, with manufacturing and distribution facilities in various locations around the world. The Company may reduce its exposure to fluctuations in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments. The Company currently does not use derivative financial instruments for trading or speculative purposes, nor is the Company a party to leveraged derivatives.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity. The notional amount of interest rate swaps is the underlying principal amount used in determining the interest payments exchanged over the life of the swap. The notional amounts are not a measure of the Company's exposure through its use of derivatives.

Interest Rates—The Company may use interest rate swaps to hedge portions of its interest expense thereby allowing the Company to establish fixed or variable interest rates on its outstanding debt. During most of 1994 and over the recent past, the Company elected to use interest rate swaps to establish fixed rates on its long-term debt. The Company closely monitors market conditions and, if in a variable position, may also use interest rate caps which limit net interest expense if interest rates rise above a defined level. In November 1994, one of the Company's fixed rate swap contracts expired and the interest rate on the long-term Deutsche Mark debt became variable. Effective January 1995, the Company has interest rate caps on its long-term Deutsche Mark debt through its maturity date.

Avon had two interest rate swap agreements at December 31, 1994 (three at December 31, 1993), each such agreement having a notional principal amount of $100.0 (1993—$100.0), yielding an aggregate notional principal amount at December 31, 1994 of $200.0 (1993—$300.0). These agreements have converted the interest rate on the 170 million 6⅛% Deutsche Mark notes to a variable rate established at 1.4 percentage points above one-month LIBOR (6% at December 31, 1994) for November 1994 through May 1998, when the notes mature. At December 31, 1994, the Company also had three interest rate cap contracts, one of which expired in early January 1995. One contract is for the calendar year 1995 and places a ceiling on one-month LIBOR at 6%. The other contract is for the period January 1996 to the maturity of the notes and places a ceiling on one-month LIBOR at 9%. The unamortized cost of these contracts was approximately $1.4 at December 31, 1994 and is included in Other Assets.

During 1993, Avon had a gain of $16.6 from the sale of interest rate swap contracts on the Deutsche Mark notes, which is being amortized over the remaining term of the original swap agreements. As of December 31, 1994, the unamortized balance was $11.7 (1993—$15.9). In addition, a gain on the sale, in 1990, of certain interest rate swap agreements related to the Swiss Franc bonds was amortized over the life of the original swap agreements, which expired in December 1994.

Foreign Currencies—The Company may periodically hedge foreign currency royalties, net investments in foreign subsidiaries, firm purchase commitments, contractual foreign currency cash flows or obligations, including debt, and other third-party or intercompany foreign currency transactions. The Company regularly monitors its foreign currency exposures and ensures that hedge contract amounts do not exceed the amounts of the underlying exposures.

At December 31, 1994, the Company held foreign currency forward contracts with notional amounts totalling $184.1 and option contracts with notional amounts totalling $31.2 to hedge foreign currency items. These contracts all have maturities prior to December 31, 1995.

These forward and option contracts to purchase and sell foreign currencies, including cross-currency contracts to sell one foreign currency for another currency at December 31, are summarized below:

	1994	
	Buy	Sell
Deutsche Mark	$72.1	$10.4
Japanese Yen	40.0	—
Pound Sterling	—	53.2
Canadian Dollar	—	26.1
Other currencies	2.2	11.3
Total	$114.3	$101.0

Credit and Market Risk—The Company attempts to minimize its credit exposure to counterparties by entering into interest rate swap and cap contracts only with major international financial institutions with "A" or higher credit ratings as issued by Standard & Poor's Corporation. The Company's foreign currency and interest rate derivatives are comprised of over-the-counter forward contracts or options with major international financial institutions. Although the Company's theoretical credit risk is the replacement cost at the then estimated fair value of these instruments, management believes that the risk of incurring losses is remote and that such losses, if any, would not be material.

Non-performance of the counterparties to the balance of all the currency and interest rate swap agreements in a net receivable position would not result in a significant write-off at December 31, 1994. In addition, there are other swap agreements in a net payable position of an insignificant amount at December 31, 1994. Each agreement provides for the right of offset between counterparties to the agreement. In addition, Avon may be exposed to market risk on its foreign exchange and interest rate swap and cap agreements as a result of changes in foreign exchange and interest rates. The market risk related to the foreign exchange agreements should be substantially offset by changes in the valuation of the underlying items being hedged.

Fair Value of Financial Instruments—FAS No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of the following information about the fair value of certain financial instruments for which it is practicable to estimate that value. For purposes of the following disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The amounts disclosed represent management's best estimates of fair value. In accordance with FAS No. 107, Avon has excluded certain financial instruments and all other assets and liabilities from its disclosure. Accordingly, the aggregate fair value amounts presented are not intended to, and do not, represent the underlying fair value of Avon.

The methods and assumptions used to estimate fair value are as follows:

Grantor trust—The fair value of these investments, principally money market funds, is based on the quoted market prices for issues listed on exchanges. The carrying amount of money market funds approximates fair value.

Debt maturing within one year and long-term debt—The fair value of all debt has been estimated based on the quoted market prices for issues listed on exchanges and the current rates offered to Avon Japan for debt of the same remaining maturities.

Forward exchange and currency option contracts—The fair value of forward exchange and currency option contracts is estimated based on quoted market prices from banks.

Interest rate swap, currency swap and interest rate cap agreements—The fair value of interest rate swap, currency swap and interest rate cap agreements is estimated based on quotes from the market makers of these instruments and represents the estimated amounts that Avon would expect to receive or pay to terminate the agreements.

The asset and (liability) amounts recorded in the balance sheet (carrying amount) and the estimated fair values of financial instruments at December 31, consisted of the following:

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$214.8	$214.8	$223.9	$223.9
Grantor trust	50.8	50.8	20.8	20.8
Debt maturing within one year	(61.2)	(62.1)	(97.2)	(96.5)
Currency swap contract on debt maturing within one year	—	—	26.8	25.0
Long-term debt	(125.5)	(128.8)	(121.7)	(120.8)
Currency swap contract on long-term debt	9.0	9.4	(2.0)	(3.3)
Other forward exchange and option contracts	.5	2.1	2.7	2.9
Interest rate cap contracts	1.4	2.5	.6	.6
Interest rate swap receivable	—	—	.2	.2
Interest rate swaps payable	(.7)	(13.7)	(1.7)	(23.7)

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company to reduce interest rate and foreign exchange risks. The Company has established a control environment which includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Contracts—The differentials to be received or paid under contracts designated as hedges are recognized in income over the life of the contracts as adjustments to Interest Expense. Gains and losses on terminations of interest rate contracts are recognized as Other (Income) and Expense when terminated in conjunction with the retirement of associated debt. Gains and losses are deferred and amortized to Interest Expense over the remaining life of the associated debt to the extent that such debt remains outstanding.

Foreign Exchange Contracts—Gains and losses on contracts designated as hedges of existing assets and liabilities are accrued as exchange rates change and are recognized in income as Foreign Currency Exchange. Gains and losses on contracts designated as hedges of net investments in foreign subsidiaries are accrued as exchange rates change and are recognized in Shareholders' Equity as Foreign currency translation adjustment. Gains and losses on contracts designated as hedges of identifiable foreign currency firm commitments are deferred and included in the measurement of the related foreign currency transaction. Refer to Note 6.

Note 6 (In Part): Financing Arrangements and Financial Instruments

C. Foreign Currency Forward Contracts

In order to reduce the impact of changes in foreign exchange rates on consolidated results of operations and future foreign currency denominated cash flows, the Company was a party to various forward exchange contracts at December 31, 1994 and 1993. These contracts reduce exposure to currency movements affecting existing foreign currency denominated assets, liabilities and firm commitments resulting primarily from trade receivables and payables, equipment acquisitions and intercompany loans. The contract durations match the duration of the currency positions. The future value of these contracts and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility. The carrying amounts of these contracts totaled $.8 million and $6.7 million at December 31, 1994 and 1993, respectively, and were recorded in both current and long term Accounts and notes receivable on the Consolidated Balance Sheet. A summary of contracts in place at December 31 follows:

	1994		1993	
(In millions)	Fair Value	Contract Amount	Fair Value	Contract Amount
Forward contracts:				
Buy currency	$99.5	$92.4	$82.7	$82.7
Sell currency	504.4	492.8	317.1	322.7
Contract duration	1/95–9/96		1/94–4/96	

Current market pricing models were used to estimate the fair values of foreign currency forward contracts.

The counterparties to the Company's derivative financial instrument contracts are substantial and creditworthy multinational commercial banks or other financial institutions which are recognized market makers. Neither the risks of counterparty nonperformance nor the economic consequences of counterparty nonperformance associated with these contracts were considered by the Company to be material.

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Exchange Contracts

During 1994, the Company adopted Statement of Financial Accounting Standards No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" (SFAS 119).

The Company has significant foreign investments. It is the Company's policy to reduce substantially the effects of fluctuations in Foreign currency exchange rates associated with these investments by managing its currency exposure which includes foreign currency hedging activities. The Company enters into foreign exchange forward contracts to hedge the effect of foreign currency fluctuations on the financial statements.

The Company enters into contracts to buy and sell foreign currencies in the future only to protect the U.S. dollar value of certain investments and future foreign currency transactions. The Company does not engage in speculation. The gains and 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 from forward contracts accounted for as hedges of identifiable transactions are classified consistent with the cash flows from the transactions being hedged.

The Company also enters into foreign exchange contracts that are used to exchange the proceeds from U.S. commercial paper borrowings into foreign currency, and simultaneously enters into a forward foreign exchange contract to exchange such foreign currency back into U.S. dollars at the maturity date of the U.S. commercial paper borrowing. These forward contracts do not qualify as hedges for financial reporting purposes, and accordingly are carried in the financial statements at the current foreign exchange rates, with the changes in rates recognized directly in operations. The Company does not hold or issue financial instruments for trading purposes.

14. Financial Instruments

Off-Balance Sheet Risk

As collateral for performance and advances on long-term contracts and to ceding insurers, the Company is contingently liable under standby letters of credit and bonds in the amount of $64.7 million and $220.1 million at December 31, 1994 and 1993, respectively. These standby letters of credit and bonds are generally in force from one to three years, for which the Company pays fees to various banks and insurance companies that generally range from .25 to 1 percent per annum of their face value. If the Company were required to obtain replacement standby letters of credit and bonds as of December 31, 1994 for those currently outstanding, it is the Company's opinion that the replacement costs for such standby letters of credit and bonds would not significantly vary from the present fee structure.

At December 31, 1994 and 1993, the Company had $40.6 million and $35.4 million, respectively, of forward foreign currency exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts generally mature within 12 months and are principally with banks. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

Foreign Exchange Risk Management

Foreign currency exchange contracts are generally used to hedge commitments, such as foreign currency debt, the purchase of equipment, and foreign currency cash flows, for certain anticipated export sales transactions. Also, as discussed in Note 1, the Company enters in foreign exchange contracts that are used to exchange the proceeds from U.S. commercial paper borrowings into foreign currency, and simultaneously enters into a forward foreign exchange contract to exchange such foreign currency back into U.S. dollars at the maturity date of the U.S. commercial paper borrowings. These forward foreign exchange contracts allow the Company to finance certain foreign operations at effective interest rates that are generally lower than borrowings in the foreign country. These forward contracts do not qualify as hedges for financial reporting purposes.

The table below summarizes by currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 1994. The "sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies, and the "buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies.

(In thousands)	Type	$U.S. Equivalent	Maturity	Recognized Gain (Loss)	Unrealized Gain (Loss)
Forward exchange contracts:					
Belgian francs	Sell	$19,120	1-12-95	$(290)	$—
French francs	Sell	11,740	1-12-95	(187)	—
French francs	Buy	6,980	1-12-95	132	—
German marks	Buy	2,606	Various to 1998	—	244
Finnish markka	Buy	158	9-1-95	—	4
		$40,604		$(345)	$248

At December 31, 1994, the Company had forward exchange contracts for Belgian and French francs to exchange those currencies to U.S. dollars at the time of maturity of the commercial paper debt. Also, the Company had a forward exchange contract for U.S. dollars to settle the French francs forward exchange contract. These forward contracts do not qualify as hedges for financial reporting purposes; therefore, gains and losses on these contracts are included in income. At December 31, 1994, the Company had gains of $132,000 and losses of $477,000 on these contracts. The Company also had forward exchange contracts in Finnish markka and German marks which were used to hedge a product cost transaction. The counterparties of these agreements are major financial institutions; therefore, management believes the risk of incurring losses related to these contracts is remote.

The table below summarizes by currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 1993:

(In thousands)	Type	$U.S. Equivalent	Maturity	Recognized Gain (Loss)	Unrealized Gain (Loss)
Forward exchange contracts:					
Swedish krona	Sell	$10,000	3-21-94	—	$(144)
Belgian franc	Sell	25,000	1-31-94	—	291
Italian lire	Buy	60	9-1-94	—	(2)
Italian lire	Buy	363	8-1-94	—	(16)
		$35,423		—	$129

At the end of 1993, the Company had forward exchange contracts in Swedish kroner, Belgian francs and Italian lire. The Swedish kroner and Belgian franc forward exchange contracts were used to hedge a foreign currency debt. The Italian lire forward exchange contracts were used to hedge a product cost transaction.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, investments and accounts receivable. The Company places its temporary cash investments ($28.6 million at December 31, 1994 and $49.3 million at December 31, 1993) and investments ($49.2 million at December 31, 1994 and $61.1 million at December 31, 1993) with high-quality institutions and, by policy, limits the amount of credit exposure to any one institution. Except for U.S. and foreign government agencies, concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

Fair Value of Financial Instruments

The following notes summarize the major methods and assumptions used in estimating the fair values of financial instruments:

Cash and cash equivalents

The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

Investments

The fair values of investments are estimated based on quoted market prices for those or similar investments.

Long-term debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Foreign currency exchange contracts

The fair value of foreign currency exchange contracts is estimated by obtaining quotes from brokers.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 1994 and 1993:

(In thousands)	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$43,550	$43,550	$58,740	$58,740
Investments:				
Marketable equity securities	—	—	1,750	7,766
Marketable debt securities	49,240	47,469	59,329	59,507
Long-term debt	351,748	329,580	376,494	379,415
Foreign currency exchange contracts	40,604	41,558	35,423	35,066

HERSHEY FOODS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Exchange Contracts

The Corporation enters into foreign exchange forward and options contracts to hedge transactions primarily related to firm commitments to purchase equipment, certajn raw materials and finished goods denominated in international currencies, and to hedge payment of intercompany transactions with its non-domestic subsidiaries. These contracts reduce currency risk from exchange rate movements. Gains and losses are deferred and accounted for as part of the underlying transactions. In entering into these contracts the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

6. Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 1994 and 1993, because of the relativerly short maturity of these instruments. The carrying value of long-term debt, including the current portion, approximated fair value as of December 31, 1994 and 1993, based upon quoted market prices for the same or similar debt issues.

As of December 31, 1994, the Corporation had foreign exchange forward contracts maturing in 1995 and 1996 to purchase $35.7 million in foreign currency, primarily British sterling and Canadian dollars, and to sell $7.5 million in foreign currency, primarily Japanese yen, at contracted forward rates.

To hedge foreign currency exposure related to anticipated transactions associated with the purchase of certain raw materials and finished goods generally covering 3 to 24 months, the Corporation also purchases foreign exchange options which permit but do not require the Corporation to exchange foreign currencies at a future date with another party at a contracted exchange rate. To finance premiums paid on such options, from time to time the Corporation may also write offsetting options at exercise prices which limit but do not eliminate the effect of purchased options and forward contracts as a hedge. As of December 31, 1994, the Corporation had purchased foreign exchange options of $11.6 million and written foreign exchange options of $10.9 million, principally related to British sterling.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences, and the fair value of foreign exchange options is estimated using active exchange quotations. As of December 31, 1994, the fair value of foreign exchange forward and options contracts approximated carrying value. The Corporation does not hold or issue financial instruments for trading purposes.

As of December 31, 1993, the Corporation had foreign exchange forward contracts maturing in 1994 and 1995 to purchase $39.1 million in foreign currency, primarily British sterling and Canadian dollars, and to sell $3.6 million in foreign currency at contracted forward rates.

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Derivative Financial Instruments in the form of foreign currency forward contracts are entered into by the Company as a hedge against foreign currency exposures. These contracts limit the Company's exposure to both favorable and unfavorable currency fluctuations. On contracts which are designated as a hedge of a firm commitment, a net investment in a foreign entity, or an intercompany transaction of a long-term nature, gains and losses are deferred and included in the measurement of the hedged transaction upon settlement. Gains and losses on other foreign currency forward contracts, including contracts which relate to anticipated transactions, are reflected in the financial statements in the period in which the currency fluctuation occurs.

The Company has strict controls regarding the use of derivative financial instruments, which is limited to foreign currency forward contracts. Any deviation from this policy requires the prior approval of the Company's Executive Vice President and Chief Financial Officer. In order to manage credit risk related to the foreign currency forward contracts, the Company utilizes only highly rated commercial banks or financial institutions for such purposes. Compliance with this policy is monitored on an ongoing basis, and is reviewed and approved annually by the Finance Committee of the Company's Board of Directors.

Financial Instruments With Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet financing needs and to reduce its own exposure to fluctuations in exchange rates. These financial instruments include financial guarantees 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 1995. The Company's exposure for financial guarantees is equal to the contractual amount of these guarantees. The contractual amounts and the maximum credit loss in the event of non-performance at December 31, 1994, were both $9.5 million.

Forward exchange contracts are contracts for delivery or purchase of foreign currencies at specified future dates. For forward exchange contracts, the contract amounts represent currency exposure if the other party fails to perform under the contract. At December 31, 1994, the Company had forward exchange contracts maturing during 1995 to sell the equivalent of $91.2 million and to purchase the equivalent of $16.7 million in foreign currency. These contracts included $95.4 million which the Company used to limit its exposure to foreign currency fluctuations related to specific assets and liabilities denominated in a foreign currency, primarily the French franc. The remaining $12.5 million was used to limit the effects of foreign currency fluctuations on anticipated Singapore dollar cash flow, based on forecasted monthly expenditures. Had all of the forward exchange contracts matured on December 31, 1994, the Company's cash requirement would have been immaterial.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates their fair value.

Foreign currency exchange contracts: The fair value of the Company's foreign exchange contracts is estimated based on quoted market prices of comparable contracts.

Short- and long-term debt: The carrying amounts of the Company's borrowings under its commercial paper programs, its short-term revolving credit agreements, and variable rate long-term debt instruments approximate their fair value. The fair value of the Company's other long-term debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1994 and 1993, were:

	1994		1993	
(Amounts in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$65.8	$65.8	$15.4	$15.4
Foreign exchange contracts	—	.1	—	(.1)
Short-term debt	193.9	193.9	26.6	26.6
Long-term debt	246.4	256.6	255.0	301.0

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Instruments

The Company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign exchange rates and interest rates. The Company does not hold or issue financial instruments for speculative trading purposes. The derivative instruments used are foreign exchange forward contracts and options, and interest rate and foreign currency swap agreements. These derivatives, which are over-the-counter instruments, are non-leveraged and involve little complexity.

The Company monitors and controls its risks in the derivative transactions referred to above by periodically assessing the cost of replacing, at market rates, those contracts in the event of default by the counterparty. The Company believes such risk to be remote. In addition, before entering into derivative contracts, and periodically during the life of the contract, the Company reviews the counterparty's financial condition.

Due to its foreign operations, the Company is exposed to the effects of foreign exchange rate fluctuations on the U.S. dollar. Foreign exchange forward contracts and options generally having maturities of less than nine months are entered into for the sole purpose of hedging long-term investments in foreign subsidiaries and certain transactional exposures.

The cost of foreign currency options is recorded in prepaid expenses in the consolidated balance sheet. At December 31, 1994, such prepaid expense was $5.1 million. When the U.S. dollar strengthens against foreign currencies, the decline in value of the underlying exposures is partially offset by gains in the value of purchased currency options designated as hedges. When the U.S. dollar weakens, the increase in the value of the underlying exposures is reduced only by the premium paid to purchase the options. The cost of options and any gains thereon are reported in income when the related transactions being hedged (generally within twelve months) are recognized.

The Company also enters into foreign exchange forward contracts. Gains and losses on such contracts hedging transactional exposures are deferred and included in other liabilities until the corresponding transaction is recognized. At December 31, 1994, the Company had a total of $1,483.7 million (of notional value) of foreign exchange forward contracts, $811.2 million to sell foreign currencies and $672.5 million to buy foreign currencies. At December 31, 1993, the Company had a total of $511.5 million of such contracts, $330.2 million to sell foreign currencies and $181.3 million to buy foreign currencies. At December 31, 1994, a realized net gain of approximately $12.9 million was deferred and included in other liabilities on such contracts. Gains or losses on foreign exchange forward contracts which hedge foreign currency transactions are reported in income when the related transactions being hedged (generally within twelve months) are recognized. Gains or losses on those contracts which hedge long-term investments in foreign subsidiaries are reported in a separate component of stockholders' equity for translation adjustments.

The Company uses interest rate swap agreements to effectively convert variable rate obligations to a fixed rate basis, and uses foreign currency swaps to effectively convert foreign currency denominated debt to U.S. dollar denominated debt in order to reduce the impact of interest rate and foreign currency rate changes on future income. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counterparties is included in other liabilities or current receivables. At December 31, 1994, the weighted average fixed rate paid by the Company was 9.1%. The fair values of the swap agreements are not recognized in the financial statements. At December 31, 1994, the Company had three interest rate swap contracts with a total notional value of $63.8 million, of which $13.6 million expires in 1995 and $50.2 million expires in 1996, and one foreign currency swap for $50.1 million expiring in 1996. During the three years ended December 31, 1994, there were no terminations of swap contracts. Accordingly, there were no deferred gains or losses related to such swaps as of December 31, 1994.

Financial instruments comprise the following:

December 31 (millions)	1994	1993
Outstanding:		
Long-term debt	$1,935.3	$2,050.0
Foreign exchange forward contracts*	1,483.7	511.5
Foreign exchange options*	373.9	392.3
Interest rate swaps*	63.8	296.3
Foreign currency swaps*	50.1	50.1
Estimated fair value:		
Long-term debt	1,935.6	2,273.2
Foreign exchange forward contracts	1,484.1	505.1
Foreign exchange options	4.8	11.5
Interest rate swaps	(.9)	(13.9)
Foreign currency swaps	22.1	12.3

*notional value

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in over-securitized treasury repurchase agreements, Euro-time deposits or commercial paper of major corporations. The Company's cash equivalents and marketable securities are classified as available-for-sale and at December 31, 1994 principally have maturities of less than one month. Due to the short maturities of these instruments, they are carried in the balance sheet at cost plus accrued interest, which approximates market value. Realized gains or losses during 1994, as well as unrealized gains or losses at December 31, 1994, were immaterial. Receivables are due from a large number of customers which are dispersed worldwide across many industries. At December 31, 1994 and 1993, the Company had no significant concentrations of credit risk.

For foreign currency contracts and options, no impact on financial position or results of operations would result from a change in the level of the underlying rate, price or index. All of the Company's foreign currency contracts and options are hedges against specific exposures and have been accounted for as such. Therefore, a change in the derivative's value would be offset with an equal but opposite change in the hedged item.

The carrying amount of cash, cash equivalents, and marketable securities approximates fair value because of the short maturity of these instruments. The fair value of the Company's long-term debt was based on the quoted market prices for publicly traded issues. For debt which is not publicly traded, the fair value was estimated based on current yields to maturity for the Company's publicly traded debt with similar maturities. In estimating the fair value of its derivative positions, the Company utilizes quoted market prices, if available, or quotes obtained from outside sources.

Interest Rate Contracts

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.

6. Interest Rate Hedge Agreements

Interest rate hedge agreements are used to reduce interest rate risks and costs inherent in the company's debt portfolio. The company enters into these agreements to change the fixed/variable interest rate mix of the debt portfolio to reduce the company's aggregate risk to movements in interest rates. Accordingly, the company enters into agreements to effectively convert variable-rate debt to fixed-rate debt to reduce the company's risk of incurring higher interest costs due to rising interest rates. The company will also enter into agreements to effectively convert its fixed-rate debt to variable-rate debt which is indexed to commercial paper or LIBOR rates to reduce the company's risk of incurring higher interest costs in periods of falling interest rates. During 1994 the company entered into interest rate swap contracts to effectively convert the stated variable interest rates on $70 million of the medium-term notes, series C, to interest rates slightly below the three-month U.S. dollar LIBOR rate. The company is also party to interest rate hedge and currency swap contracts, which hedge intercompany lending transactions. 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 inception and a specified future date.

The company has entered into two LIBOR swap agreements, each with a $50 million notional amount. These agreements contain counterbalancing formula-based rate features such that the interest rate paid on $50 million of fixed-rate debt is converted to substantially a LIBOR interest rate through the year 2003. The unrealized loss related to these two interest rate swap contracts, as included in the table below under fixed to variable, is $12.6 million as of 30 September 1994.

Counterparties to interest rate hedge agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote and any losses would be immaterial.

The table below illustrates the contract or notional (face) amounts outstanding, maturity dates, weighted average receive and pay rates, and the net unrealized gain (loss) of interest rate hedge agreements by type at 30 September 1994 and 1993. The notional amounts are used to calculate contractual payments to be exchanged and are not generally actually paid or received, except for the currency swap component of the contracts. The net unrealized gain (loss) on these agreements is equal to their fair value.

(in millions)	Notional Amount	Maturities	Weighted Average Rate Receive	Pay	Unrealized Gross Gain	Unrealized Gross (Loss)	Net Unrealized Gain(Loss)
30 September 1994							
Fixed to Variable	$363.2	1995-2003	7.1%	6.2%	$1.3	$(22.2)	$(20.9)
Variable to Fixed	15.0	1997	5.9%	7.1%	.2	—	.2
Variable to Variable	70.0	1996-2001	2.8%	4.8%	—	(4.9)	(4.9)
Interest Rate/Currency	118.3	1995-1996	5.6%	6.6%	—	(13.9)	(13.9)
	$566.5				$1.5	$(41.0)	$(39.5)
30 September 1993							
Fixed to Variable	$300.5	1994-2003	7.3%	5.0%	$15.5	$—	$15.5
Variable to Fixed	90.0	1994-2003	4.1%	5.3%	—	(.8)	(.8)
Interest Rate/Currency	138.4	1994-1996	3.7%	6.1%	—	(9.2)	(9.2)
	$528.9				$15.5	$(10.0)	$5.5

Of the net unrealized gain (loss) as of 30 September 1994 and 1993, a net loss of $27.3 million and a net gain of $14.3 million, respectively, has not been recognized in the financial statements. Deferred gains/losses from terminated contracts at the end of fiscal 1994 and 1993 were not material.

After the effects of interest rate hedge agreements, the company's total debt, including current portion, is composed of 56% fixed-rate debt and 44% variable-rate debt as of 30 September 1994. Subsequent to 30 September 1994, certain interest rate hedge agreements expired which changed the composition of total debt to 60% fixed-rate debt and 40% variable-rate debt as of 31 October 1994.

The fair value of long-term debt and interest rate hedge agreements is affected by fluctuations in market interest rates. A 100 basis point increase in market interest rates would result in a $38.8 million decline (favorable) in the fair value of long-term debt while the fair value of interest rate hedge agreements would decline $15.7 million (unfavorable). A 100 basis point decline in market interest rates would result in a $42.7 million increase (unfavorable) in the fair value of long-term debt while the fair value of interest rate hedge agreements would increase $14.4 million (favorable). Based on the composition of the company's debt portfolio, including interest rate hedge agreements, as of 30 September 1994, a 100 basis point increase in market interest rates would result in an additional $5.4 million in interest incurred per year. A 100 basis point decline would lower interest incurred by $5.4 million per year.

The company entered into five highly leveraged interest rate swap contracts with a notional value of $202.7 million during the first quarter of fiscal 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts had been accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107.7 million on these derivative contracts. This loss reflects the costs to terminate or close these contracts. The termination and closure of these derivative contracts has eliminated any further earnings impact from these contracts due to changes in interest rates. The company will not enter into any future interest rate swap contracts which lever an unfavorable move in interest rates on a greater than one-to-one basis. The closure of the two highly leveraged interest rate swap contracts has resulted in a $66.0 million liability. Additionally, the company terminated in 1994 a number of smaller interest rate hedge agreements and an interest rate hedge and currency swap contract and recognized a loss of $13.9 million. This loss is recognized in the consolidation income statement as $12.2 million foreign exchange loss included in other income and $1.7 million interest expense.

APPLE COMPUTER, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Financial Instruments

All highly liquid investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents; investments with maturities between three and twelve months are considered to be short-term investments. A substantial portion of the Company's cash, cash equivalents, and short-term investments is held by foreign subsidiaries and is generally based in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries would be subject to U.S. income taxation upon repatriation to the United States; the Company's financial statements provide fully for any related tax liability on amounts that may be repatriated, aside from undistributed earnings that are intended to be indefinitely invested.

The Company has not elected early adoption of Financial Accounting Standard No. 115 (FAS 115), "Accounting for Certain Investments in Debt and Equity Securities." FAS 115 becomes effective beginning with the Company's first quarter of fiscal year 1995. The principal impact of the new statment is to replace the historical cost accounting approach for certain investments in debt and equity securities with one based on fair value. The Company does not expect adoption of FAS 115 to have a material effect on its financial position or results of operations.

For further information regarding the Company's accounting treatment of other financial and derivative instruments, refer to pages 24-26 of the Notes to Consolidated Financial Statements.

Financial Instruments

Financial Instruments with Off-Balance-Sheet Risk

In the ordinary course of business and as part of the Company's asset and liability management, the Company enteres into various types of transactions that involve contracts and financial instruments with off-balance-sheet risk. These instruments are entered into in order to manage financial market risk, including interest rate and foreign exchange risk. The Company enters into these financial instruments with major international financial institutions utilizing over-the-counter as opposed to exchange traded instruments.

Interest Rate Derivatives

The Company enters into interest rate derivatives, including interest rate swaps, swaptions, and options, with financial institutions in order to better match the Company's floating-rate interest income on its cash equivalents and short-term investments with the fixed-rate interest expense of its long-term debt. These instruments are also used to extend the effective duration of a portion of the Company's short-term investment portfolio up to a maximum duration of three years, and to diversify a portion of its exposure away from changes in U.S. interest rates.

Foreign Currency Instruments

The Company enters into foreign exchange forward and option contracts with financial institutions primarily to protect against currency exchange risks associated with certain firmly committed and certain other probable, but not firmly committed transactions. The Company's foreign exchange risk management policy requires it to hedge substantially all of its material foreign exchange transaction exposures. However, the Company does not hedge certain foreign exchange transaction exposures that are immaterial either in terms of their minimal U.S. dollar value or in terms of their high correlation with the U.S. dollar.

Anticipated transactions comprise sales of the Company's products in currencies other than the U.S. dollar. A majority of these non-U.S. dollar-based sales are made through the Company's subsidiaries in Europe, Asia (particularly Japan), Canada, and Australia. The duration of these anticipated hedging transactions does not exceed one year. The Company also sells foreign exchange option contracts, in order to partially finance the purchase of foreign exchange option contracts used to hedge both firmly committed and certain other probable, but not firmly committed transactions. The Company enters into other foreign exchange transactions, which are intended to reduce the costs associated with its foreign exchange risk management programs.

Fair Value, Notional Principal, and Credit Risk Amounts

The table on page 25 shows the notional principal, fair value, and credit risk amounts of the Company's interest rate derivative and foreign currency instruments as of September 30, 1994. The notional principal amounts for off-balance-sheet instruments provide one measure of the transaction volume outstanding as of year end, and do not represent the amount of the Company's exposure to credit or market loss. The credit risk amount shown in the table on page 25 represents the Company's gross exposure to potential accounting loss on these transactions if all counter-parties failed to perform according to the terms of the contract, based on then-current currency exchange and interest rates at each respective date. The Company's exposure to credit loss and market risk will vary over time as a function of interest rates and currency exchange rates.

The estimates of fair value are based on applicable and commonly used pricing models using prevailing financial market information as of September 30, 1994. In certain instances where judgment is required in estimating fair value, price quotes were obtained from several of the Company's counterparty financial institutions. Although the table on page 25 reflects the notional principal, fair value, and credit risk amounts of the Company's interest rate and foreign exchange instruments, it does not reflect the gains or losses associated with the exposures and transactions that the interest rate and foreign exchange instruments are intended to hedge. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions, during the remaining life of the instruments.

(In millions)	1994 Notional Principal	1994 Fair Value	1994 Credit Risk Amount	1993[A] Notional Principal	1993[A] Fair Value	1993[A] Credit Risk Amount
Transactions Qualifying as Accounting Hedges						
Interest rate instruments						
Swaps	$ 669	$(40)	—	—	—	—
Foreign exchange instruments						
Spot/Forward contracts	2,385	(23)	$15	$2,114	$ 6	$19
Purchased options	1,510	17	21	1,637	28	33
Sold options	302	(1)	—	765	—[B]	—
Transactions Other Than Accounting Hedges						
Interest rate instruments						
Swaps	—	—	—	112	—[B]	—
Sold options	148	—[B]	—	67	—[B]	—
Foreign exchange instruments						
Spot/Forward contracts	300	—[B]	—[B]	574	2	10
Purchased options	1,600	32	32	1,608	24	24
Sold options	5,511	(45)	—	5,282	(39)	—

(A) Adjusted to conform with current year presentation.
(B) Fair value is less than $0.5 million.

The interest rate swaps shown above generally require the Company to pay a floating interest rate based on three- or six-month U.S. dollar LIBOR and receive a fixed rate of interest based on two-, three-, and ten-year swap rates without exchanges of the underlying notional amounts. Maturity dates for interest rate swaps currently range from one to ten years. Interest rate option contracts require the Company to make payments should certain interest rates either fall below or rise above predetermined levels. All interest rate option contracts outstanding at September 30, 1994, expire within 18 months.

Interest rate contracts not accounted for as hedges are carried at fair value with gains and losses recorded currently in income. Unrealized gains and losses on interest rate contracts that are designated and effective as hedges are deferred and recognized in income in the same period as the hedged transaction. Unrealized losses on such agreements totaled approximately $40 million at September 30, 1994, primarily reflecting the net present value of unrealized losses on the ten-year swap contracts, which effectively convert the Company's fixed-rate ten-year debt to floating-rate debt. There were no deferred gains and losses on interest rate contracts as of September 24,1993.

The foreign exchange forward contracts not accounted for as hedges are carried at fair value and are adjusted each balance sheet date for changes in exchange rates. Unrealized gains and losses on foreign exchange forward contracts that are designated and effective as hedges are deferred and recognized in income in the same period as the hedged transactions. Deferred gains and losses on such agreements at September 30, 1994, and at September 24, 1993, were immaterial. All foreign exchange forward contracts expire within one year.

Purchased and sold foreign exchange option contracts that qualify for hedge accounting treatment are reported on the balance sheet at the premium cost, which is amortized over the life of the option. Unrealized gains and losses on these option contracts are deferred until the occurence of the hedged transaction and recognized as a component of the hedged transaction. Deferred gains and losses on such agreements were immaterial at September 30, 1994, and at September 24, 1993. Maturity dates for purchased foreign exchange option contracts range from one to twelve months.

Purchased and sold foreign exchange option contracts that do not qualify for hedge accounting treatment are carried at fair value and, as such, are adjusted each balance sheet date for changes in exchange rates. Gains and losses associated with these financial instruments are recorded currently in income. As of September 30, 1994, maturity dates for these sold option contracts ranged from one to six months.

The Company monitors its interest rate and foreign exchange positions daily based on applicable and commonly used pricing models. The correlation between the changes in the fair value of hedging instruments and the changes in the underlying hedged items is assessed periodically over the life of the hedged instrument. In the event that it is determined that a hedge is ineffective, the Company recognizes in income the change in market value of the instrument beginning on the date it was no longer an effective hedge.

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Financial Instruments

The Company utilizes hedged and nonhedged interest rate swap agreements and foreign currency contracts.

Hedged financial instruments are accounted for based on settlement accounting. Interest rate swap agreements which hedge the Company's debt 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, on a semi-annual basis, is accrued as interest rates change and is recognized over the life of the agreement as an adjustment to interest expense. Gains and losses associated with hedged transactions are deferred and included as a component of the related commitment, while cash payments or proceeds are included as operating cash flows. Deferred gains and losses are amortized over the life of the related agreements.

Nonhedged financial instruments are recorded at market value and are included in Current Liabilities and Other Liabilities. The market value of interest rate swap agreements and foreign currency option contracts are obtained from dealer quotes. Gains and losses associated with nonhedged transactions are recorded as a component of Other-net, while cash payments or proceeds associated with these transactions are classified as investing activities.

Note 2 (In Part): Financial Instruments

Derivative Financial Instruments

The Company utilizes a variety of derivative financial instruments to limit its exposure to foreign currency fluctuations and changing interest rates but does not hold or issue such financial instruments for trading purposes.

The Company has entered into a variety of interest rate swap agreements to manage the impact of interest rate fluctuations. At December 31, 1994 and January 1, 1994, the Company was a party to both hedged and nonhedged interest rate swap agreements. Under the hedged interest rate swap agreements, the Company exchanges fixed rate payments for variable rate payments periodically over the life of the agreements. The Company deferred gains and losses related to various hedged interest rate swap agreements since the underlying debt was outstanding. At December 31, 1994 and January 1, 1994, the Company had deferred net losses of $.3 million and $2.0 million, respectively and deferred net gains of $9.2 million and $.7 million, respectively.

At December 31, 1994 and January 1, 1994, the Company had hedged interest rate swap agreements outstanding with a notional principal amount of $175 million which converted fixed rate debt with a weighted average interest rate of 8.66% to variable rates of 7.9% and 7.1%, respectively. The variable rate is based on the London Inter Bank Offered Rate (LIBOR) plus a predetermined spread. The predetermined spread increased from 3.22% to 5.14%. The agreements terminate on various dates through July 1, 1998. The Company's exposure related to these interest rate swap agreements is limited to fluctuations in LIBOR, however LIBOR has been set through January 1, 1996. The estimated fair value of these agreements at December 31, 1994 and January 1, 1994 was a loss of $19.9 million and $3.2 million, respectively.

The Company had nonhedged interest rate swap agreements outstanding at December 31, 1994 and January 1, 1994. One nonhedged interest rate swap agreement outstanding at December 31, 1994 and January 1, 1994 is based on a notional amount of $175 million. The terms of the agreement become effective on July 1,1995 and terminate on July 1, 1998. In this agreement, the Company will receive LIBOR and will pay LIBOR in arrears plus 1.72% plus a leveraged coupon rate based on various interest rate spreads. At December 31, 1994 and January 1, 1994, the estimated fair value of this agreement was a loss of $10.5 million and $20.6 million, respectively, which has been recorded in the accompanying Consolidated Financial Statements.

At January 1, 1994, the Company had two other nonhedged interest rate swap agreements outstanding which were both terminated during fiscal year 1994 resulting in losses of $10.5 million included in the accompanying Consolidated Statement of Income. One agreement was based on a notional amount of $25 million in which the Company received a fixed rate of 10% and paid LIBOR plus 4.228% plus a leveraged coupon rate based on various interest rate spreads. The other agreement was based on a notional amount of $50 million in which the Company received a fixed rate of 10% and paid LIBOR plus 4.4% plus a leveraged coupon rate based on various interest rate spreads. The estimated fair value of these two agreements outstanding at January 1, 1994 was a loss of $3.8 million and a gain of $.3 million, respectively.

The Company is exposed to credit loss in the event of nonperformance by the counterparty to its interest rate swap agreements. The risk of loss to the Company in the event of nonperformance by the counterparty under these agreements is not significant. The Company does not anticipate nonperformance by the counterparty.

HERCULES INCORPORATED (DEC)

Summary of Significant Accounting Policies

Financial Instruments and Hedging

Derivative financial instruments are used to hedge risk caused by fluctuating currency and interest rates. The company enters into forward exchange and foreign currency option contracts and currency swaps to hedge foreign currency exposure. Realized and unrealized gains and losses on these contracts are included in net income, except for gains and losses on contracts to hedge specific foreign currency commitments, which are deferred and accounted for as part of the transaction. Gains or losses on contracts used to hedge the value of investments in certain foreign subsidiaries are included in the foreign currency translation adjustment account. The company does not hold or issue financial instruments for trading purposes.

In addition, the company uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. The differential to be paid or received is accrued as interest rates change and is recognized in interest expense over the life of the agreements. Counterparties to the forward exchange, currency swap and interest rate swap contracts are major financial institutions. Credit loss from counterparty non-performance is not anticipated.

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

20. Financial Instruments and Risk Management

a. Notional Amounts and Credit Exposure of Derivatives

The notional amounts of derivatives summarized below do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure of the company through its use of derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates or exchange rates.

b. Interest Rate Risk Management

In April 1992, the company entered into a three-year amortizing interest rate swap agreement whereby 5.52% per annum fixed-rate debt has been effectively converted to floating-rate debt. Beginning in March 1993, the company entered into another agreement effectively converting floating-rate debt into debt with a fixed rate of 7.52% per annum. In March 1994, the company entered into two additional agreements effectively converting floating-rate debt into debt with a fixed rate of 4.92% and 4.923% per annum, respectively. For the years 1994 and 1993, these contracts resulted in an (increase) reduction in the effective interest rate of (.6%) and 0.7% per annum, respectively, on the weighted-average notional principal amounts outstanding. The aggregate notional principal amounts at the end of the corresponding periods were $160,000 and $150,000, respectively. These agreements mature through the first quarter of 1996.

The following table indicates the types of swaps used and their weighted-average interest rates.

	1994	1993
Receive-fixed swaps-notional amount	$50,000	$100,000
Average receive rate	5.5%	5.5%
Average pay rate	4.3%	3.3%
Pay-fixed swaps-notional amount	110,000	50,000
Average pay rate	6.1%	7.5%
Average receive rate	4.5%	3.3%

c. Foreign Exchange Risk Management

The company enters into forward exchange contracts and purchased options to hedge certain firm purchase and sale commitments denominated in foreign currencies (principally Danish kroner, Dutch guilder, Belgian franc, British pound sterling, and German mark). Some of the contracts involve the exchange of two foreign currencies, according to local needs in foreign subsidiaries. The term of the currency derivatives is rarely more than one year. The purpose of the company's foreign currency hedging activities is to protect the company from the risk that the eventual net cash flows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. Foreign exchange contracts do not expose the company to accounting risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the underlying exposures being hedged. At December 31, 1994 and 1993, the company had outstanding forward exchange contracts to purchase foreign currencies aggregating $50,946 and $24,251 and to sell foreign currencies aggregating $283,782 and $271,869, respectively. Non-U.S. dollar cross-currency trades aggregated $401,756 and $258,530, respectively. The forward exchange contracts mature during 1995. No currency swap agreements were outstanding at December 31, 1994 or 1993. Additionally there were no deferrals of gains or losses on forward exchange contracts at December 31, 1994.

d. Fair Values

The following table presents the carrying amounts and fair values of the company's financial instruments at December 31, 1994 and 1993.

	December 31, 1994		December 31, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment securities	$53,242	$53,242	$52,264	$52,264
Long-term debt	(359,964)	(460,041)	(451,206)	(619,897)
Foreign exchange contracts	(1,100)*	(1,100)	(975)*	(975)
Interest rate swap contracts	(1,029)*	862	(191)*	(1,335)

* The carrying amount represents the net unrealized gain (loss) or net interest receivable (payable) associated with the contracts at the end of the period.

Fair Value Disclosures

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Investment securities

Valued at quoted market prices.

Long-term debt

Present value of expected cash flows related to existing borrowings discounted at rates currently available to the company for long-term borrowings with similar terms and remaining maturities.

Foreign exchange contracts

Year-end exchange rates.

Interest rate swap contracts

Bank or market quotes or discounted cash flows using year-end interest rates.

HONEYWELL INC. (DEC)

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

Note 1 (In Part): Accounting Policies

Derivatives

In 1994, Honeywell adopted Statement of Financial Accounting Standards No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments." Honeywell uses derivative financial instruments such as foreign currency contracts (forwards, swaps and options) to manage its foreign currency exposure (see Notes 6, 14 and 15) and interest rate swaps to manage its exposure to interest rate fluctuations and its mix of fixed and floating interest rates (see Notes 14 and 15).

The carrying amounts of foreign currency contracts purchased to hedge firm foreign currency commitments are deferred and included in the measurement of the related foreign currency transaction. Gains and losses from other foreign currency transaction are included in selling, general and administrative expenses on the income statment and were not material in any year.

The amount to be paid or received from interest rate swaps is charged or credited to interest expense over the lives of the interest rate swap agreements.

Note 14 (In Part): Debt

Honeywell utilizes interest rate swaps to manage its interest rate exposures and its mix of fixed and floating interest rates. In 1992, Honeywell entered into interest rate swap agreements effectively converting $100.0 of its 8 5/8 percent debentures due 2006 from fixed-rate debt to floating-rate debt based on six-month LIBOR rates. During 1993, $50.0 of the $100.0 swap was terminated resulting in a gain of $0.9, which is being amortized over the remaining life of the swap agreement. In 1993, Honeywell entered into interest rate swap agreements effectively converting the 9.6 percent Canadian dollar notes due 1996 to floating-rate debt based on three-month Canadian bankers acceptance rates. In 1994, Honeywell entered into interest rate swap agreements effectively converting $30.0 of medium-term notes due 1998 and $70.5 of medium-term notes due 1999 to floating rate debt based on three-month LIBOR rates. These swap agreements expire in September 1995 for the 8 percent debentures, December 1996 for the 9.6 percent Canadian dollar notes, and for the medium-term notes: $10.0 in March 1998, $20.0 in May 1998, $50.0 in August 1999 and $20.5 in September 1999.

Note 15. Fair Value of Financial Instruments

All financial instruments are held for purposes other than trading. The estimated fair values of all nonderivative financial instruments approximate their carrying amounts in the statement of financial position with the exception of long-term debt. The estimated fair value of long-term debt is based on quoted market prices for the same or similar issues or on current rates available to Honeywell for debt of the same remaining maturities. The carrying amount of long term debt was $634.9 and $504.3 at December 31, 1994, and 1993, respectively; and the fair value was $630.3 and $569.0 at December 31, 1994, and 1993, respectively.

The carrying amount of interest rate swaps was zero and $0.3 at December 31, 1994, and 1993, respectively. The gross unrealized market (loss)/gain on interest rate swaps was $(7.5) and $2.8 at December 31, 1994, and 1993, respectively. The carrying amount of foreign currency contracts was $18.3 and $10.4 at December 31, 1994, and 1993, respectively. The gross unrealized market gain on foreign currency contracts was $26.6 and $19.9 and the gross unrealized market loss was $28.3 and zero at December 31, 1994, and 1993, respectively. The estimated fair value of interest rate swaps and foreign currency contracts, which is the gross unrealized market gain or loss, is based primarily on quotes obtained from various financial institutions that deal in these types of instruments.

Honeywell is exposed to credit risk to the extent of nonperformance by the counterparties to the foreign currency contracts and the interest rate swaps discussed above. However, the credit ratings of the counterparties, which consist of a group of diversified financial institutions, are regularly monitored and risk of default is considered remote.

LOWE'S COMPANIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Derivatives—Interest rate swap agreements, which are principally used by the Company in the management of interest rate exposure, are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related liability. Amounts to be paid or received under interest rate swap agreements are recognized as interest income or expense in the periods in which they accrue.

Premiums paid for purchased interest rate cap agreements are being amortized to interest expense over the terms of the caps. Unamortized premiums are included in other assets in the consolidated balance sheet. Amounts to be received under the cap agreements are accounted for on an accrual basis, and are recognized as a reduction of interest expense.

Note 7. Derivative Financial Instruments:

The Company has only limited involvement with derivative financial instruments, and does not use them for trading purposes.

The Company enters into derivatives, exclusively interest rate swaps and caps, to lower funding costs or alter interest rate exposures for long-term liabilities. Interest rate swaps allow the Company to raise long-term borrowings at fixed rates and swap them into variable rates for shorter durations. This enables the Company to separate interest rate management from debt funding decisions. At January 31, 1995, the Company had 23 interest rate swap agreements outstanding with financial institutions, having notional amounts of $10 million each and a total notional amount of $230 million. Under the agreements, the Company will receive interest payments at an average fixed rate of 5.64% and will pay interest on the same notional amounts at a floating rate based on an interest rate index, which was 6.88% as of January 31, 1995. These interest rate swap agreements are scheduled to terminate as follows (in millions): 1995, $90; 1996, $90; 1997, $50.

Interest rate cap agreements are used to reduce the potential impact of increases in interest rates on the interest rate swap agreements, discussed above. At January 31, 1995, the Company was a party to 23 interest rate cap agreements, each with terms tied to the terms of the interest rate swap agreements. The agreements entitle the Company to receive from counterparties on a semiannual basis the amounts, if any, by which the Company's interest payments on its $230 million notional amount of interest rate swap agreements exceed approximately 75 basis points over the fixed rate on each swap.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements and interest rate cap agreements. The Company anticipates the counterparties will be able to fully satisfy their obligations under the agreements. The counterparties consist of a number of financial institutions whose credit ratings were AA or better at the time the agreements were instituted. No collateral is held in relation to the agreements. Credit exposure exists in relation to all the Company's financial instruments, and is not unique to derivatives.

Note 8 (In Part): Disclosures about Fair Values of Financial Instruments:

The following estimated fair value amounts have been determined, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	Jan 31, 1995		Jan 31, 1994	
(Dollars in Thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and Cash Equivalents	$150,319	$150,319	$73,253	$73,253
Short-Term Investments	118,155	118,155	35,215	35,240
Net Receivables	109,214	109,214	48,500	48,500
Long-term Investments	83,459	83,459	40,408	40,801
Liabilities:				
Accounts Payable	675,436	675,436	467,278	467,278
Short-Term Debt	1,903	1,903	2,281	2,281
Long-Term Debt:				
Convertible Subordinated Notes	254,505	402,186	251,524	362,250
Other	453,592	456,914	390,356	410,216
Off-Balance Sheet Financial Instruments - Unrealized Gains (Losses):				
Interest Rate Swap Agreements	—	(6,482)	—	4,421
Interest Rate Cap Agreements	—	$3,915	—	—

Cash and cash equivalents, receivables, accounts payable, and short-term debt—The carrying amounts of these items are a reasonable estimate of their fair value.

Short-term investments and long-term investments—At January 31, 1995, these investments are classified as available for sale and carried at their fair value in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," Prior year's

fair value is estimated from quoted market prices for these or similar investments.

Long-term debt—Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues that are not quoted on an exchange.

Interest rate swap agreements and interest rate cap agreements—The fair value of interest rate swaps and caps are the amounts at which they could be settled, based on estimates obtained from dealers.

THE MEAD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

A (In Part): Accounting Policies

INTEREST RATE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS. Amounts currently due to or from interest rate swap counterparties are recorded in interest expense in the period in which they accrue. The premiums paid to purchase interest rate caps, as well as gains or losses on terminated interest rate swap and cap agreements, are included in long-term liabilities or assets and amortized to interest expense over the shorter of the original term of the agreements or the life of the financial instruments to which they are matched. Gains or losses on foreign currency forward contracts are recognized currently through income and generally offset the transaction losses or gains on the foreign currency cash flows which they are intended to hedge.

G. Financial Instruments

The Company uses various derivative financial instruments as part of an overall strategy to manage the Company's exposure to market risks associated with interest rate and foreign currency exchange rate fluctuations. The Company uses foreign currency forward contracts to manage the foreign currency exchange rate risks primarily associated with its international operations. The Company is exposed to interest rate risks on its debt instruments, including the reset of interest rates on variable rate debt, and utilizes interest rate swap and cap agreements to diversify its portfolio. The Company does not hold or issue derivative financial instruments for trading purposes.

The risk of loss to the Company in the event of nonperformance by any counterparty under the derivative financial instrument agreements is not significant. All counterparties are rated A or higher by Moody's and Standard and Poor's with the majority of the contracts executed with counterparties rated AA or higher by both agencies. Although the derivative financial instruments expose the Company to market risk, fluctuations in the value of the derivatives are mitigated by expected offsetting fluctuations in the matched instruments.

As part of an overall strategy to maintain an acceptable level of exposure to the risk of interest rate fluctuation, the Company has developed a targeted mix of fixed-rate and cap-protected debt versus variable-rate debt. To efficiently manage this mix, the Company utilizes interest rate swap, cap and option agreements to effectively convert the debt portfolio into an acceptable fixed-rate, capped rate and variable-rate mix.

Under interest rate swap agreements, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and variable-rate interest amounts calculated by reference to an agreed-upon notional principal amount. The fair value of the interest rate swap agreements is estimated using quotes from brokers and represents the cash requirement if the existing agreements had been settled at year end.

Selected information related to the Company's interest rate swap agreements is as follows:

December 31 *(All dollar amounts in millions)*	1994	1993
Notional amount	$130.0	$375.0
Fair value	$(23.0)	$(.7)
Carrying amount	(12.2)	1.7
Net unrecognized gain (loss)	$(10.8)	$(2.4)

The Company utilizes interest rate cap agreements to reduce the impact of increases in interest rates on its floating rate debt. The interest rate cap agreements require premium payments to counterparties based upon a notional principal amount. Interest rate cap agreements entitle the Company to receive from the counterparties the amounts, if any, by which the selected market interest rates exceed the strike rates stated in the agreements. The fair value of the interest rate cap agreements is estimated by obtaining quotes from brokers and represents the cash requirement if the existing contracts had been settled at year end.

Selected information related to the Company's interest rate cap agreements is as follows:

December 31 *(All dollar amounts in millions)*	1994	1993
Notional amount	$250.0	$400.0
Fair value	$1.7	$1.2
Carrying amount	1.7	5.3
Net unrecognized gain (loss)	$ —	$(4.1)

The Company has no written interest rate options outstanding at December 31, 1994. For written options outstanding at December 31, 1993, the Company received a premium at the outset and then bore the market risk, beyond the premium received, of an unfavorable change in the value of the financial instruments underlying the options. Written options were used to increase the Company's exposure to fixed- or variable-rate debt, within defined limitations, as part of the Company's overall interest rate risk management strategy. Included in written options were options which would have allowed counterparties to enter into interest rate swap agreements at terms unfavorable to the Company. There were $175.0 million notional amount of written options outstanding at December 31, 1993, with a fair value and carrying amount of $(8.3) million.

The Company utilizes foreign currency forward contracts to reduce exposure to exchange rate risks primarily associated with transactions in the regular course of the Company's international operations. The forward contracts establish the exchange rates at which the Company will purchase or sell the contracted amount of local currencies for specified foreign currencies at a future date. The Company utilizes forward contracts which are short-term in duration (generally one month) and receives or pays the difference between the contracted forward rate and the exchange rate at the settlement date. The major currency exposures hedged by the Company include the German mark, Canadian dollar, Dutch guilder, French franc and British pound. The contract amount of foreign currency forwards at December 31, 1994 and 1993, is $133.2 million and $114.4 million, respectively. The carrying amount and fair value of these contracts are not significant.

Foreign currency options were used by the Company as part of an overall strategy to collar the Company's exposure to specific foreign currency exchange rate fluctuations. The Company has no purchased or written foreign currency options outstanding at December 31, 1994. At December 31, 1993, the notional amounts of purchased and written foreign currency options were $56.5 million and $36.2 million, respectively. The fair values for the purchased and written foreign currency options at December 31, 1993 were an unrealized gain of $2.5 million and an unrealized loss of $(.2) million, respectively. No carrying amounts were recorded for these options.

The fair value of the Company's long-term debt is estimated based on quoted market prices for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities. The fair value of long-term debt, excluding capital leases, was $782.0 million and $1,253.8 million at December 31, 1994 and 1993, respectively, and the related carrying amounts were $809.6 million and $1,210.0 million, respectively.

At December 31, 1994, the Company held short-term investments which are included in cash and cash equivalents and restricted cash. The carrying amount of these short-term investments is a reasonable estimate of fair value.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency and Financial Instruments:

The Company has utilized various financial instruments to hedge certain of its foreign currency and/or interest rate exposures. Premiums received and fees paid on the financial instruments are deferred and amortized over the period of the agreements. Gains and losses or interest received and paid on the instruments are recorded as foreign exchange transaction gains or losses or as interest in the Consolidated Statements of Operations.

12. Financial Instruments

At December 31, 1994 and 1993, the carrying amounts and fair values of the Company's financial instruments are listed below:

December 31,	1994		1993	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes receivable and long-term investments	$ 136.2	$ 135.4	$ 98.0	$ 84.0
Senior debt	2,755.6	2,728.0	2,344.5	2,362.8
Subordinated debt ...	1,159.6	1,302.9	1,262.6	1,189.5
Non-recourse debt of consolidated affiliates	813.0	840.3	963.1	1,002.3
Standby letters of credit—payable	.4	.4	.4	.4
Interest rate swaps in receivable (payable) position ..	.4	(33.3)	(2.6)	(4.2)

The fair values of notes receivable and certain investments are based on discounted future cash flows or the applicable quoted market price. The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar issues. The fair value of the letters of credit is based on fees currently charged for similar agreements. The face amount on the letters of credit was $88.3 million and $76.1 million at December 31, 1994 and 1993, respectively. The fair value of interest rate swap agreements are obtained from dealer quotes. These values represent the estimated amount the Company would pay to terminate agreements, taking into consideration the current interest rate and market conditions. The Company does not hold or issue financial instruments for trading purposes.

The Company is party to two interest rate swap contracts with durations of five and ten years to hedge against interest rate exposures on $250 million of certain fixed-rate indebtedness. The separate contracts have the effect of converting the fixed rate of interest into a floating interest rate on $100 million of the 9-7/8 percent Senior Notes and on $150 million of the 11-1/2 percent Senior Notes. These interest rate swap contracts were entered into in order to balance the Company's fixed-rate and floating-rate debt portfolios. Under the interest rate swaps, the Company agrees with the other party to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. While the Company is exposed to credit loss on its interest rate swaps in the event of nonperformance by the counterparties to such swaps, management believes that such nonperformance is unlikely to occur given the financial resources of the counterparties.

The following table indicates the weighted average receive rate and pay rate during 1994 relating to the interest rate swaps outstanding at December 31, 1994:

	1994
Interest rate swap-notional amount (in millions)	$150.0
Average receive rate (fixed)	6.0%
Average pay rate	4.4%
Interest rate swap-notional amount (in millions)	$100.0
Average receive rate (fixed)	5.6%
Average pay rate	4.5%

The average pay rate for both interest rate swaps is the six month LIBOR.

WARNER-LAMBERT COMPANY (DEC)

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

Note 10 (In Part): Financial Instruments:

The estimated fair values of financial instruments were as follows:

December 31,	1994		1993	
( )=Liability	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment securities	$482.8	$479.2	$341.5	$345.8
Long-term debt	(535.2)	(513.8)	(546.2)	(575.9)
Interest rate swaps	.3	(17.3)	5.1	8.8
Foreign exchange contracts	.1	(19.2)	—	(16.1)

Investment securities and long-term debt are valued at quoted market prices for similar instruments. The fair values of the remaining financial instruments in the above table are based on dealer quotes and reflect the estimated amounts that the company would pay or receive to terminate the contracts. The carrying amounts of all other financial instruments in the consolidated balance sheets approximate fair values.

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The company does not hold or issue financial instruments for trading purposes nor is it a party to leveraged derivatives. The company uses derivatives, particularly interest rate swaps and forward or purchased option foreign exchange contracts, that are relatively straighforward and involve little complexity as hedge instruments to manage interest rate and foreign currency risk.

The counterparties to the company's derivatives consist of major international financial institutions. Because of the number of these institutions and their high credit ratings, management believes derivatives do not present significant credit risk to the company.

The following table summarizes interest rate swap agreements:

Notional Amounts December 31,		Maturity	Weighted Average Fixed Receive	Weighted Average Floating Pay Rate	
1994	1993	Date	Rate	1994	1993
$250	$250	1996	8.1%	7.7%	5.5%
200	200	2002	6.6	5.1	3.8

Interest rate swap agreements effectively convert fixed rates on long-term debt to floating rates. Interest to be paid or received is accrued over the life of the agreements as an adjustment to interest expense. The company's intent is to reduce overall interest expense while maintaining an acceptable level of risk to interest rate fluctuations. As a result of these swap agreements, interest expense was reduced by $3.7, $12.4 and $1.5 in 1994, 1993 and 1992, respectively. The impact of a 100 basis point change in market interest rates would change annual net income by approximately $3.4. The swap agreements specifically hedge $450 of long-term notes which are disclosed in Note 9. As market interest rates fluctuate, the unrealized gain or loss on the swap portfolio moves in an inverse relationship to the fair value of the underlying debt. The company had an unrealized loss on the interest rate swap portfolio of $17.6 as of December 31, 1994 and an unrealized gain of $3.7 as of December 31, 1993.

The company's foreign exchange risk management objectives are to stablize cash flows and reported income from the effects of foreign currency fluctuations. Extensive international business activities result in a variety of foreign currency exposures including foreign currency denominated assets and liabilities, firm commitments, anticipated intercompany sales and purchases of goods and services, dividend and royalty remittances and anticipated net income of foreign affiliates, which is hedged on an intra-quarter basis. The company's strategy in managing these currency risks is to selectively hedge exposures by entering into forward or purchased option foreign exchange contracts for periods of up to two years. The company believes the risks associated with its unhedged exposures are not significant.

Gains and losses related to effective hedges, including hedges of anticipated transactions, are recognized in income as part of, and concurrent with, the hedged transaction.

The table below summarizes the contractual amounts of forward or purchased option foreign exchange contracts:

Currency Sold	Currency Purchased	Contractual Amounts December 31, 1994	1993
Japanese yen	U.S. dollars	$112.9	$167.8
U.S. dollars	British pounds	34.3	69.4
French francs	U.S. dollars	10.0	18.5
German marks	U.S. dollars	—	81.2
Other	Other	6.9	11.3

The cash flows associated with derivative financial instruments are classified as operating in the consolidated statements of cash flows.

Commodity Contracts

AMP INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

6. Financial Instruments

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are used to manage well-defined commodity price and foreign currency risks.

Commodities swap agreements are utilized to hedge anticipated purchases of certain metals used in the Company's manufacturing operations. Under these swap agreements, payments are made or received based on the differential between a specified price and the actual price of the metals. These contracts generally cover a one-year period and are accounted for as hedges, with all gains and losses recognized in cost of sales when the commodities are consumed. At December 31, 1994, commodity contracts involving notional amounts of $52,000,000 were outstanding. These notional amounts do not represent amounts exchanged by the parties; rather, they are used as the basis to calculate the amounts due under the agreements.

From time to time the Company utilizes forward foreign currency exchange contracts to minimize the impact of currency movements, principally on intercompany royalties and dividends denominated in Japanese yen and German marks. The terms of these contracts are generally less than one year and they also are hedges of anticipated transactions. Gains and losses related to these agreements are recorded when the related transaction occurs. The purpose of the Company's hedging is to protect it from the risk that the eventual U.S. dollar inflows resulting from the intercompany payments will be adversely affected by changes in exchange rates. In addition, U.S. dollar denominated debt of the Company's Mexican subsidiary was protected from currency movements using forward currency contracts. The terms of these contracts coincide with the principal payments, which are all due in 1995. Gains on these contracts will be recorded in income as the principal payments are made. At December 31, 1994, the Company had forward contracts in place covering 6.6 billion yen, 36 million marks, and 28 million pesos.

On March 11, 1994, the Company entered into a foreign currency swap with a AAA-rated counterparty to hedge a portion of its net investment in its Japanese subsidiary and to lock-in a beneficial net interest differential. Under terms of the agreement, the Company will swap 15.9 billion yen for U.S. $150 million in ten years based on the exchange rate on the day the contract became effective. In addition, the contract provides for the Company to make semi-annual interest payments of 4.61% on the 15.9 billion yen, while receiving semi- annual interest payments of 6.71% on the U.S. $150 million. The Company has the unilateral right to unwind the swap early. Due to the fact that this contract is an effective hedge of an investment in a foreign entity, any gain or loss on the contract is recorded directly to cumulative translation adjustments.

While it is not the Company's intention to terminate any of the above financial instruments, the fair values were estimated by obtaining quotes from brokers which represented the amounts that the Company would receive or pay if the agreements were terminated on December 31, 1994. These fair values, indicated that termination of the commodities swap agreements, forward foreign exchange contracts and foreign currency swap agreement would have resulted in a $23 million gain, $3.9 million gain and $21.3 million loss, respectively. Due to the volatility of currency exchange rates and commodity prices, these results which were estimated at December 31, 1994, may or may not be realized.

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Derivative Contracts: The Company reflected the requirements of Statement of Financial Accounting Standards (SFAS) 119 "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," in 1994. Depending on the market fundamentals of a metal and other conditions, the Company may enter into forward sales or purchase put or call options to reduce or eliminate the risk of metal price declines on its anticipated future production. The costs of options are amortized during the period in which the options are exercisable. The Company also periodically uses futures contracts to hedge the effect of price changes on a portion of the metals it sells. Gains and losses on hedge contracts are reported as a component of the underlying transaction.

13. Financial Instruments

Derivative Contracts: Depending on the market fundamentals of a metal and other conditions, the Company may enter into forward sales or purchase put or call options to reduce or eliminate the risk of metal price declines on its anticipated future production.

Put options purchased by the Company establish a minimum sales price for the production covered by such put options and permit the Company to participate in price increases above the strike price of such put options. At December 31, 1994, the Company had copper put options with an average strike price of 91.9 cents per pound, covering 137,600 tons or approximately 47% of its expected copper production for 1995 at a cost of $4.4 million and put options with an average strike price of 95.0 cents per pound, covering 6,900 tons or approximately 2% of its expected copper production for 1996 at a cost of $0.2 million. The cost of the put options is amortized during the period in which the options are exercisable.

Forward sales establish a selling price for future production at the time they are entered into, thereby eliminating the risk of declining prices but also eliminating potential gains on price increased if not bought back. Synthetic put options are established by entering into a forward sale and purchasing a call option for the same quantity of the relevant metal and for the time period relating to such forward sale. The forward sale establishes a minimum price that will be realized, while the call option permits the Company to participate in price increases. At December 31, 1994, the Company had no forward sales or synthetic put options outstanding.

The pre-tax effect of the Company's derivative and anticipatory hedging activities, net of transaction costs, are as follows:

Hedging Gains (Losses)

For the Years Ending December 31, *(in millions)*	1994	1993	1992
Metal			
Copper	$3.2	$3.0	$—
Zinc	1.8	15.5	1.1
Silver	0.7	0.7	1.1
Net Gain	$5.7	$19.2	$2.2

At December 31, 1994 there were no deferred hedging profits or losses. At December 31, 1993 deferred profits on copper and silver hedging were $3.0 million and $.2 million, respectively, which were subsequently recognized in 1994 as the anticipated production was sold.

The estimated fair values of the Company's financial instruments are as follows:

At December 31,	1994		1993	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Copper put options	$4.6	$0.2	$0.2	$0.1
Investments accounted for by the cost method of accounting:				
Available-for-sale securities	455.5	455.5	482.5	482.5
Restricted investment in Grupo Mexico/ MEDIMSA	294.5	(a)	298.3	(b)
Other	1.9	(b)	2.6	(b)
Liabilities:				
Long-term debt (excluding capital lease obligations)	834.0	825.4	781.5	798.6

The fair value estimates at December 31, are based on relevant market information. These estimates are subjective in nature and involve uncertainties and significant judgment.

(a) In 1994, 160.5 million shares of Asarco's investment in Grupo Mexico had restrictions limiting the sales of these securities which is further described in footnote 6. Accordingly, the Company has not determined the fair value of such securities.

(b) No fair value was available for these investments as they represent an interest in a private company. Accordingly, the Company has not determined the fair value of such securities.

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Hedging: The Corporation hedges the effects of fluctuations in the prices of crude oil, natural gas and refined products, interest rates and the exchange rates of foreign currencies. The resulting gains or losses, measured by quoted market prices, termination values or other methods, are accounted for as part of the transaction being hedged, except that losses not expected to be recovered upon the completion of hedged transactions are expensed. On the balance sheet, deferred gains are included in deferred revenue at December 31, 1994 and 1993.

12. Financial Instruments and Hedging Activities

The Corporation produces, purchases, transports and sells crude oil and natural gas and manufactures, purchases, transports and markets refined products. The Corporation also maintains inventories of crude oil and refined products. The Corporation uses futures, forward, option and swap contracts to reduce the effects of fluctuations in crude oil, natural gas and refined product prices. In addition, a significant portion of the Corporation's long-term borrowings have floating interest rates. The Corporation also has exploration and production activities in foreign countries. Therefore, it is affected by changes in interest rates and foreign currency exchange rates. Interest rate conversion agreements and foreign currency exchange contracts protect the Corporation from fluctuations in interest and exchange rate.

Commodity hedging: The Corporation uses futures, foward and option contracts to reduce the effects of fluctuations in the prices of crude oil, natural gas and refined products. These contracts permit settlement by delivery of commodities and, therefore, are not financial instruments, as defined. The Corporation uses these contracts and financial instruments such as over-the-counter option and swap contracts in its commodity hedging activities. At December 31, 1994, the Corporation's hedging activities included commodity and financial instrument contracts, maturing through 1995, covering 56,000,000 barrels of crude oil and refined products and 195,000,000 Mcf of natural gas. Of the crude oil and refined product hedges, 26,500,000 barrels relate to exploration and production activities and the remaining 29,500,000 barrels relate to refining and marketing operations. At December 31, 1993, contracts covering 62,000,000 barrels of crude oil and refined products and 137,000,000 Mcf of natural gas, which matured in 1994, were used as hedges. The Corporation produced 91,000,000 barrels of crude oil (including natural gas liquids) and 309,000,000 Mcf of natural gas in 1994 and had approximately 40,000,000 barrels of crude oil and refined products in its refining and marketing inventories at December 31, 1994. Since the contracts described above qualify as hedges and correlate to price movements of crude oil, natural gas and refined products, any gains or losses resulting from market changes will be offset by losses or gains on the Corporation's hedged inventory or production. Total unrealized gains for the Corporation's petroleum and natural gas hedging activities were approximately $20,000,000 at December 31, 1994 ($126,000,000 at December 31, 1993). Deferred gains related to anticipated transactions are not material.

Financial instruments: At December 31, 1994, the Corporation has $225,000,000 of notional value interest rate conversion agreements with a weighted average maturity of approximately one year ($444,500,000 at December 31, 1993), $155,000,000 of notional value foreign currency forward and purchased option contracts maturing in 1995 ($35,000,000 at December 31, 1993) and $117,000,000 in letters of credit outstanding ($89,000,000 at December 31, 1993). Notional amounts do not quantify risk or represent assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts.

Fair value disclosure: The Corporation values financial instruments as required by FAS No. 107, Disclosures about Fair Value of Financial Instruments. The carrying amounts of cash and cash equivalents, short-term debt and long-term, variable-rate debt approximate fair value. The Corporation estimates the fair value of its long-term, fixed-rate debt generally using discounted cash flow analysis based on the Corporation's current borrowing rates for debt with similar maturities. Interest rate conversion agreements and foreign currency exchange contracts are valued based on current termination values or quoted market prices of comparable contracts. The Corporation's valuation of commodity contracts considers quoted market prices, time value, volatility of the underlying commodities and other factors.

The carrying amounts of the Corporation's financial instruments and commodity contracts, including those used in the Corporation's hedging activities, generally approximate their fair values at December 31, except as follows:

	1994		1993	
Millions of dollars, asset (liability)	Balance Sheet Amount	Fair Value	Balance Sheet Amount	Fair Value
Long-term, fixed-rate debt	$(1,548)	$(1,519)	$(1,321)	$(1,446)
Commodity contracts, including financial instruments	7*	20	75*	126
Interest rate conversion agreements	—	(2)	—	(19)
Foreign currency exchange agreements and options	—	(2)	—	(3)

*Represents margin accounts on futures contracts.

At times, the Corporation uses oil and gas futures, forward, option and swap contracts that are not related to the hedging program discussed above. This activitiy and its results are not material.

The Corporation's financial instruments with off-balance-sheet risks are with major financial institutions and, along with cash and cash equivalents and accounts receivable, expose the Corporation to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The credit worthiness of counterparties is subject to continuing review and full performance is anticipated.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Derivatives. Gains and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and recognized in income, or as adjustments of carrying amounts, when the hedged transaction occurs. Gains and losses on instruments that do not qualify as hedges are recognized as other income or expense. The Company does not hold or issue financial instruments for trading purposes.

8 (In Part): Financial Instruments

The Company enters into various financial instruments in the normal course of business and in connection with the management of its assets and liabilities.

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The Company uses commodity swap agreements to hedge anticipated purchases of aluminum. Under the aluminum swap agreements, the Company receives or makes payments based on the difference between a specified price and the market price of aluminum. At December 31, 1994, the Company had swap agreements with dealers to exchange monthly payments on approximately 50% of the Company's total aluminum purchases in 1995 and 17% in 1996 and 1997. The Company records the payments when received or made and does not have a carrying value recorded. These agreements have a notional principal value of $29.9 million. During the year ended December 31, 1994, the Company had swaps covering approximately 31% of the 41 million pounds of aluminum purchased. The Company had no outstanding commodity swaps at December 31, 1993 or 1992.

The fair market value of these agreements was $6.4 million at December 31, 1994. The fair market value was obtained from dealer quotes based on a financial model used to project future prices of aluminum.

The Company monitors and controls market risk from derivative activities by utilizing floating rates that historically have moved in tandem with each other, matching positions and limiting the terms of contracts to short durations. To minimize credit risk, the Company limits derivative arrangements to those banks and investment firms that the Company has continuing business relationships with and regularly monitors the credit ratings of its counterparties. The Company prepares periodic analyses of its positions in derivatives to assess the current and projected status of these agreements.

The fair market value of the financial instruments held by the Company at December 31, 1994, may not be representative of the actual gains or losses that will be recorded when these instruments mature due to the volatility of the markets in which they are traded.

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Hedges. The Company frequently enters into swaps, futures and other contracts to hedge the price risks associated with inventories, commitments and certain anticipated transactions. Coastal defers the impact of changes in the market value of these contracts until such time as the hedged transaction is completed. The Company also enters into interest rate and foreign currency swaps to manage interest rates and foreign currency risk. Income and expense related to interest rate swaps is accrued as interest rates change and is recognized in income over the life of the agreement. Gains or losses from foreign currency swaps are deferred and are recognized as payments are made on the related foreign currency denominated debt. Such gains or losses are essentially offset by gains or losses on the related debt.

Note 8 (In Part): Financial Instruments And Risk Management

The Company's operations involve managing market risks related to changes in interest rates, foreign exchange rates and commodity prices. Derivative financial instruments, specifically swaps and other contracts, are used to reduce and manage those risks. The Company does not currently hold or issue financial instruments for trading purposes.

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Other Derivatives. The Company and its subsidiaries also frequently enter into swaps and other contracts to hedge the price risks associated with inventories, commitments and certain anticipated transactions. The swaps and other contracts are with established energy companies and major financial institutions. The Company believes its credit risk is minimal on these transactions, as the counterparties are required to meet stringent credit standards. There is continuous day-to-day involvement by senior management in the hedging decisions, operating under resolutions adopted by each subsidiary's board of directors.

Fair Value of Financial Instruments. The estimated fair value amounts of the Company's financial instruments have been determined by the Company, using appropriate market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value, thus, the estimates provided herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

(Millions of dollars)	Dec. 31, 1994		Dec. 31, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:				
Financial assets:				
Cash and cash equivalents	$ 73.5	$ 73.5	$ 159.2	$ 159.2
Notes receivable	88.6	88.6	62.8	64.2
Financial liabilities:				
Short-term debt	57.2	57.2	264.0	264.0
Long-term debt	4,048.8	4,129.6	3,984.0	4,418.1
Mandatory redemption preferred stock	0.6	0.6	34.3	34.9
Derivatives Relating to:				
Commodity swaps loss	—	(8.1)	—	(6.5)
Debt:				
Currency swaps gain	(172.9)	(172.9)	(108.7)	(108.7)
Interest rate swaps loss and options	31.4	58.7	80.3	106.3

The estimated value of the Company's long-term debt and mandatory redemption preferred stock is based on interest rates at December 31, 1994 and 1993, respectively, for new issues with similar remaining maturities. The fair value of the derivatives relating to commodity swaps reflects the estimated amount to terminate the contracts at December 31, 1994 and 1993, taking into account unrealized gains or losses. Dealer quotes are available for these derivatives. The fair market value of the Company's interest rate and foreign currency swaps is based on the estimated termination values at December 31, 1994 and 1993, respectively.

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Derivative Instruments.

The Company enters into derivative financial transactions to hedge existing or projected exposures to changing foreign exchange rates, interest rates, security prices, or commodity prices. The Company does not enter into derivative transactions for speculative purposes. Gains and losses on commodity futures transactions, which involve hedging price movements over the life of long-term fixed price contracts, are deferred until the futures contracts are liquidated. Hedges of other than commodity prices are generally carried at fair value with the resulting gains and losses reflected in the results of operations. Gains and losses on foreign exchange contracts where the local currency is the functional currency are recorded in a separate component of shareholders' equity.

Note 15 (In Part): Financial Instruments and Risk Concentration

Commodity exchange risk.

The Company often enters into exchange traded commodity futures contracts to protect the Company against adverse fuel and raw material price movements over the life of long-term fixed price contracts in its engineering and construction services business. As fuel and/or raw materials are consumed, the Company reduces the number of contracts outstanding and gains or losses incurred from the liquidation of the contracts are recognized as part of the cost of the fuel or raw materials. Gains or losses from rolling the portfolio forward are deferred until the contracts are liquidated. As of December 31, 1994, the Company had deferred losses from such contracts of $.2 million. As of December 31, 1994, the notional amount of such contracts held by the Company was $2.9 million.

Fair value of financial instruments.

The financial position of the Company at December 31, 1994, includes certain financial instruments which may have a fair value that is different from the value currently reflected on the financial statements. In reviewing the financial instruments of the Company, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

The carrying amounts and estimated fair value of the Company's financial instruments at December 31, 1994 and 1993 are as follows:

	1994		1993	
Millions of dollars	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$654.8	$644.3	$656.5	$675.3
Long-term debt	643.1	626.1	623.9	662.0
Derivatives relating to:				
Foreign exchange risk	0.8	0.6	1.5	1.4
Interest rate risk	0.5	1.4	0.5	0.5
Commodity exchange risk	0.3	0.3	0.7	0.7

The carrying amounts of derivatives are included in other assets and generally represent the unamortized amounts paid for the instruments. The carrying amount of short-term financial instruments (cash and equivalents, receivables, and certain other liabilities) approximates fair value due to the short maturity of those instruments. The fair value of investments, long-term debt, foreign exchange risk instruments and interest rate risk instruments is based on quoted market prices, where available, or quotes from external pricing sources such as brokers for those or similar investments and issues. The carrying amount of commodity exchange risk instruments is based on the margin requirements of these instruments and, as such, approximates fair value.

USX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Principal Accounting Policies

Hedging transactions – USX engages in hedging activities within the normal course of its businesses (Note 26). Management has been authorized to manage exposure to price fluctuations relevant to the purchase or sale of crude oil, natural gas, refined products and nonferrous metals through the use of a variety of derivative financial and nonfinancial instruments. Derivative financial instruments require settlement in cash and include such instruments as over-the-counter (OTC) commodity swap agreements and OTC commodity options. Derivative nonfinancial instruments require or permit settlement by delivery of commodities and include exchange-traded commodity futures contracts and options. Changes in the market value of derivative instruments are deferred and subsequently recognized in income, as sales or cost of sales, in the same period as the hedged item. OTC swaps are off-balance-sheet instruments; therefore, the effect of changes in the market value of such instruments are not recorded until settlement. The margin accounts for open commodity futures contracts, which reflect daily settlements as market values change, are recorded as accounts receivable. Premiums on all commodity-based option contracts are initially recorded based on the amount paid or received; the options' market value is subsequently recorded as accounts receivable or accounts payable, as appropriate.

Forward currency contracts are primarily used to manage currency risks related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in a foreign currency. Gains or losses related to firm commitments are deferred and included with the hedged item; all other gains or losses are recognized in income in the current period as sales, cost of sales, interest income or expense, or other income, as appropriate. For balance sheet reporting, net contract values are included in receivables or payables, as appropriate.

Recorded deferred gains or losses are reflected within other noncurrent assets or deferred credits and other liabilities. Cash flows from the use of derivative instruments are reported in the same category as the hedged item in the statement of cash flows.

26. Derivative Financial Instruments

USX uses derivative financial instruments, such as OTC commodity swaps, to hedge exposure to price fluctuations relevant to the anticipated purchase or production and sale of crude oil, natural gas and refined products. USX also uses exchange-traded commodity contracts as a part of its overall hedging activities. The use of derivative instruments helps to protect against adverse market price changes for products sold and volatility in raw material costs.

USX uses forward currency contracts to reduce exposure to currency price fluctuations when transactions require settlement in a foreign currency (principally Swiss franc, ECU, U.K. pound and Irish punt) rather than U.S. dollars.

USX remains at risk for possible changes in the market value of the derivative instrument; however, such risk should be mitigated by price changes in the underlying hedged item. USX is also exposed to credit risk in the event of nonperformance by counterparties. The credit worthiness of counterparties is subject to continuing review, including the use of master netting agreements to the extent practical, and full performance is anticipated.

The following table sets forth quantitative information by class of derivative financial instrument:

(In millions)	Fair Value Assets (Liabilities)[a]	Carrying Amount Assets (Liabilities)	Recorded Deferred Gain or (Loss)	Aggregate Contract Values[b]
December 31, 1994				
OTC commodity swaps[c]	$ —[d]	$ —	$1	$263
Forward currency contracts[e]:				
– receivable	84	81	—	215
– payable	(4)	(4)	(3)	37
Total currencies	$80	$77	$(3)	$252
December 31, 1993:				
OTC commodity swaps	(5)	—	—	95
OTC commodity options	—	—	—	4
Total commodities	$(5)	$ —	$ —	$99
Forward currency contracts:				
– receivable	51	47	—	244
– payable	(14)	(10)	(9)	51
Total currencies	$37	$37	$(9)	$295

(a) The fair value amounts are based on exchange-traded index prices and dealer quotes.
(b) Contract or notional amounts do not quantify risk exposure, but are used in the calculation of cash settlements under the contracts. The contract or notional amounts do not reflect the extent to which positions may offset one another.
(c) The OTC swap arrangements vary in duration with certain contracts extending into early 1997.
(d) The fair value amount includes fair value assets of $11 million and fair value liabilities of $(11) million.
(e) The forward currency contracts mature in 1995-1998.

Financial Guarantees

GENERAL DYNAMICS CORPORATION (DEC)

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

M. Fair Value of Financial Instruments
The estimated fair values of the company's financial instruments are as follows:

	December 31			
	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents and marketable securities	$1,059	$1,059	$585	$585
Other investments	—	—	50	50
Long-term debt	40	42	38	45
Long-term debt-finance operations	161	163	175	181

Fair value is based on quoted market prices, except for long-term debt-finance operations where fair value is based on a risk-adjusted discount rate. The company was contingently liable for debt and lease guarantees and other arrangements aggregating up to a maximum of approximately $105 and $160 at December 31, 1994 and 1993, respectively. The company knows of no event of default which would require it to satisfy these guarantees and, therefore, the fair value of these contingent liabilities is considered immaterial.

O (In Part): Commitments and Contingencies
Other. In the ordinary course of business, the company has entered into letter of credit agreements and other arrangements with financial institutions aggregating approximately $120 at December 31, 1994. For a discussion of other financial guarantees, see Note M. The company's rental commitments under existing leases at December 31, 1994, are not significant.

In connection with the sale of its defense businesses, the company remains contingently liable for contract performance by the purchasers of these businesses under agreements entered into with the U.S. government. The company believes the probability of any liability arising from this matter is remote. In addition, the sales agreements contain certain representations and warranties under which the purchasers have certain specified periods of time to assert claims against the company. Some claims have been asserted which in the aggregate are material in amount, but the company does not believe that its liability as a result of these claims will exceed the liabilities recorded at the time of the sales.

W.R. GRACE & CO. (DEC)

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

11 (In Part): Commitments and Contingent Liabilities
Grace is the named tenant or guarantor with respect to certain lease obligations of previously divested businesses. The leases, some of which extend to 2014, have future minimum lease payments aggregating $67.3. Grace is also the named tenant or guarantor with respect to lease obligations having future minimum lease payments of $35.8, as to which a previously divested home center business had been released in bankruptcy; offsetting this is $35.1 of future minimum rental income from subtenants. Grace continues to attempt to sublease the remaining properties and believes its ultimate exposure is not material.

Grace is the named tenant with respect to lease obligations, with future minimum lease payments of $15.2, that have been assigned to Hermans, a previously divested business. Grace believes its ultimate exposure under these leases is not material and that it is fully indemnified by other parties for any losses it may incur under these leases.

Grace is contingently liable with respect to leases entered into by REG's subsidiaries. After undergoing a reorganization in 1993, REG (now named Family Restaurants, Inc.) has agreed to indemnify Grace with respect to these leases. At December 31, 1994, these leases have future minimum lease payments of $68.3. Grace believes any risk of loss from these contingent liabilities is remote.

THE LTV CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments (In Part):
Outstanding letters of credit totaled $120.7 million and $139.3 million at December 31, 1994 and 1993, respectively. The letters of credit guarantee performance to third parties of various trade activities and tax benefit transfer agreements. Fair value estimated on the basis of fees paid to obtain the obligations is not material at December 31, 1994 and 1993.

LTV has guaranteed approximately $13 million per year through January 1999 for a joint venture's operating lease rental obligation. The Company has guaranteed $5 million of debt of a company whose facilities are leased by the Company. The Company does not believe it is practicable to estimate the fair value of the guarantees and does not believe exposure to loss is likely.

MARRIOTT INTERNATIONAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The fair values of noncurrent financial assets and liabilities and other financial instruments are shown below. The fair values of current assets and current liabilities are assumed to be equal to their reported carrying amounts.

	1994		1993	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes receivable and other	$415	$402	$392	$394
Long-term debt and other liabilities	500	431	538	503
Other financial instruments (guarantees)	379	7	403	1

Notes receivable from Host Marriott and other notes and financial assets are valued based on the expected future cash flows discounted at risk adjusted rates. Valuations for long-term debt are determined based on quoted market prices or expected future payments discounted at risk adjusted rates. The fair values of revolving credit facility and commercial paper borrowings are assumed to be equal to carrying values.

The fair value of guarantees is based on the expected future payments discounted at risk adjusted rates. Value was not assigned to commitments with no expected fundings. The carrying amount of guarantees represents the company's aggregate maximum exposure.

The fair value of loan commitments equals the remaining availability under the Host Marriott credit agreement and the Philadelphia mortgage and $93 million of other mortgage loan commitments at December 30, 1994.

THE MEAD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Long-Term Debt

The Company has guaranteed obligations of certain affiliated operations and others totaling approximately $43.8 million at December 31, 1994. In addition, the Company has a 50% interest in a partnership with Scott Paper Company which has borrowed $300 million under a loan agreement with The Sumitomo Bank, Limited, New York Branch, which matures in 1998. The loan, one-half of which has been guaranteed by the Company, may be prepaid at any time either in cash or by delivery of notes receivable from Georgia-Pacific Corporation held by the partnership as part of the consideration from the 1988 sale of Brunswick Pulp and Paper Company, a former affiliate. It is not practicable to estimate the fair value of the above guarantees, however, the Company does not expect to incur losses as a result of these guarantees.

PEPSICO, INC. (DEC)

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

Note 10. Fair Value of Financial Instruments

The carrying amounts in the following table are included in the Consolidated Balance Sheet under the indicated captions, except for debt-related derivative instruments (interest rate swaps and currency exchange agreements), which are included in the appropriate current or noncurrent asset or liability caption. Investments consist primarily of debt securities and have been classified as held-to-maturity. Noncurrent investments mature at various dates through 2000.

Because of the short maturity of cash equivalents and short-term investments, the carrying amount approximates fair value. The fair value of noncurrent investments is based upon market quotes. The fair value of debt, debt-related derivative instruments and guarantees is estimated using market quotes, valuation models and calculations based on market rates.

See Management's Analysis—Overview on page 24 and Note 9 for more information regarding PepsiCo's use of interest rate swaps and currency exchange agreements and its management of the inherent credit risk.

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$330.7	$330.7	$226.9	$226.9
Short-term investments	$1,157.4	$1,157.4	$1,573.8	$1,573.8
Other assets (noncurrent investments)	$48.0	$47.5	$55.5	$55.4
Liabilities				
Debt:				
Short-term borrowings and long-term debt, net of capital leases	$9,220.8	$9,265.4	$9,342.4	$9,626.0
Debt-related derivative instruments:				
Open contracts in asset position	(51.3)	(51.4)	(42.4)	(72.7)
Open contracts in liability position	7.9	54.1	1.2	32.8
Net debt	$9,177.4	$9,268.1	$9,301.2	$9,586.1
Guarantees	—	$2.7	—	$1.7

Note 19. Contingencies

PepsiCo is subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Management believes that the ultimate liability, if any, in excess of amounts already provided arising from such claims or contingencies is not likely to have a material adverse effect on PepsiCo's annual results of operations or financial condition. At year-end 1994 and 1993, PepsiCo was contingently liable under guarantees aggregating $187 million and $276 million, respectively. The guarantees are primarily issued to support financial arrangements of certain PepsiCo joint ventures, and bottling and restaurant franchisees. PepsiCo manages the risk associated with these guarantees by performing appropriate credit reviews in addition to retaining certain rights as a joint venture partner or franchisor. See Note 10 for information related to the fair value of the guarantees.

Letters Of Credit

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Financial Instruments

The Company is also a party to letters of credit totaling $8,004,000 and $8,226,000 at December 31, 1994 and 1993, respectively. In the Company's past experience, virtually no claims have been made against these financial instruments. Management does not expect any material losses to result from these off-balance-sheet instruments because performance is not expected to be required, and, therefore, is of the opinion that the fair value of these instruments is zero.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The estimated fair values of the company's financial instruments are as follows:

	1994		1993	
$ in thousands / At October 31,	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$374,468	$374,468	$214,844	$214,844
Marketable securities	117,618	119,555	97,335	102,366
Notes receivable including non-current portion	104,117	105,088	65,417	65,995
Long-term investments	15,811	16,616	21,615	21,907
Liabilities:				
Commercial paper and notes payable	19,957	19,957	60,053	60,053
Long-term debt including current portion	62,367	64,405	61,324	69,211
Other noncurrent financial liabilities	2,691	2,691	2,736	2,736
Off-balance sheet financial instruments:				
Foreign currency contract obligations	—	219	—	2,381
Letters of credit	—	740	—	351
Line of credit	—	1,384	—	981

Fair values were determined as follows:

The carrying amounts of cash and cash equivalents, short-term notes receivable, commercial paper and notes payable approximates fair value because of the short-term maturity of these instruments.

Marketable securities and long-term investments are based on quoted market prices for these or similar instruments.

Long-term notes receivable are estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings.

The fair value of long-term debt, including current portion, is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same maturities.

Other noncurrent liabilities consist primarily of deferred payments, for which cost approximates fair value.

Foreign currency contract obligations are estimated by obtaining quotes from brokers.

Letters of credit and line of credit amounts are based on fees currently charged for similar agreements or on the estimated cost to terminate or settle the obligations.

Receivables Sold With Recourse

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Contingencies:

Certain lease receivables entered into by the Company's finance divisions were sold to a third party during 1992, 1993 and 1994, with limited recourse. The leases cover machinery and equipment manufactured by the Company and involved thousands of customers. There is no significant concentration of credit risk. Generally, the lease period does not exceed five years. The leases are collateralized by security deposits and Uniform Commercial Code filings; equipment is subject to repossession in the event of lease default. The outstanding balance on such receivables at December 31, 1994 was $41 million ($39 million in 1993 and $45 million in 1992) of which the Company has a contingent liability of $7.2 million should all of the receivables become uncollectible.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Receivables

The Corporation has a large, diversified customer base, which includes some customers who are located in foreign countries. The Corporation closely monitors extensions of credit and has not experienced significant losses related to its receivables. In addition, a significant portion of the receivables from foreign sales are covered by either export credit insurance or confirmed letters of credit to help ensure collectibility.

Supplemental information on the accounts receivable balances at December 31, 1994 and 1993 is as follows:

	December 31	
(Millions)	1994	1993
Receivables		
Trade	$515	$358
Other	79	51
	594	409
Less allowances	28	32
Receivables, net	$566	$377

The Corporation had sold fractional ownership interests in a defined pool of trade accounts receivable for $700 million as of December 31, 1994 and 1993. The sold accounts receivable are excluded from receivables in the accompanying balance sheets. 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 $33 million in 1994, $29 million in 1993 and $35 million in 1992, is included in selling, general and administrative expense in the accompanying statements of income.

Under the accounts receivable sale agreement, the maximum amount of the purchasers' investment is subject to change based on the level of eligible receivables and restrictions on concentrations of receivables. The agreement was amended in October 1993 which reduced the program from $800 million to $700 million. In 1994, the term of the program was extended until May 27, 1995.

Note 6 (In Part): Financial Instruments

The carrying amount and fair value of the Corporation's financial instruments are as follows:

	December 31, 1994		December 31, 1993	
(Millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Commercial paper and other short-term notes (Note 5)	$ 868	$ 868	$ 650	$ 650
Notes and debentures (Note 5)	3,528	3,520	3,778	4,172
Revenue bonds (Note 5)	389	385	375	375
Other loans (Note 5)	53	53	96	96
Interest rate exchange agreements	*	12	*	99
Accounts receivable sale program (Note 4)	700	700	700	700

* The Corporation accrued interest of $10 million and $31 million at December 31, 1994 and 1993, respectively, related to these agreements.

Commitments To Extend Credit

THE BOEING COMPANY (DEC)

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

Note 14. Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business, principally relating to customer financing activities. Off-balance-sheet risk items include financing commitments, extensions of credit, credit guarantees, and participations in customer financing receivables with third-party investors which involve interest rate terms different from the underlying receivables.

Irrevocable financing commitments related to aircraft on order, including options, scheduled for delivery through 2002 totaled $3,205 and $3,963 as of December 31, 1994 and 1993. The Company anticipates that not all of these commitments will be utilized and that it will be able to arrange for third-party investors to assume a portion of the remaining commitments, if necessary. None of these financing commitments have potentially adverse interest rate terms.

Participations in customer financing receivables with third-party investors which involve interest rate terms different from the underlying receivables totaled $109 and $83 as of December 31, 1994 and 1993.

The Company's maximum exposure to credit-related losses associated with credit guarantees, without regard to collateral, totaled $114 and $28 as of December 31, 1994 and 1993. Because substantially all financial instruments subject to credit risk are adequately collateralized, the probability of accounting loss arising from these financial instruments is considered remote.

Note 16 (In Part): Disclosures about Fair Value of Financial Instruments

With regard to financial instruments with off-balance-sheet risk, it is not practicable to estimate the fair value of future financing commitments, and all other off-balance-sheet financial instruments are estimated to have only a nominal fair value. The terms and conditions reflected in the outstanding guarantees and commitments for financing assistance are not materially different from those that would have been negotiated as of December 31, 1994.

Warrants

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Fair Values of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments at December 31 were as follows (in millions: (liability)/asset):

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 22	$ 22	$ 11	$ 11
Long-term debt	(4,187)	(4,060)	(4,391)	(4,783)
Warrants	—	(8)	—	(58)
Futures contracts	—	8	—	(5)
Interest rate swaps	—	(49)	—	(5)

The following methods and assumptions were used by the Company in estimating fair values for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheets for cash and cash equivalents approximates fair value.

Long-term debt and warrants: The carrying amounts of commercial paper, variable rate debt and other short-term borrowings approximate their fair values. The fair values of the Company's long-term debt, representing the amount at which the debt could be exchanged on the open market, are determined based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The Company does not anticipate any significant refinancing activities which would settle long-term debt at fair value. The fair values of the Company's warrants are estimated based on valuations from major investment banks.

Derivatives: The fair values of the Company's futures contracts are estimated based on current settlement values. The fair values of the Company's interest rate swaps are estimated based on valuations from major investment banks.

Commitments to Purchase Common Stock

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Financial Instruments: The financial instruments with which the Corporation is involved are primarily of a traditional nature. The Corporation's cash equivalents are invested in primarily high quality money market mutual funds. Short-term investments consist primarily of money market preferred stocks, investment grade debt instruments and common equity securities. The Corporation has limited participation in derivative trading securities as defined under Statement of Financial Accounting Standards No. 119, "Disclosures about Derivative Financial Instruments and Fair Value of Financial Instruments," consisting of the forward currency exchange contracts and commitments to purchase stocks, discussed below.

The Corporation had one forward currency exchange contract outstanding at December 31, 1994 and 1993 to hedge its exposure to foreign currency fluctuations on short-term Canadian securities. The carrying value of the asset and related forward contract were $3,100,000 and $3,452,000, respectively, at December 31, 1994 and $3,249,000 and $3,424,000, respectively at December 31, 1993. While forward exchange contracts affect the Corporation's results of operations, they do so only in connection with the underlying transaction. As a result, the Corporation is not subject to material risk from exchange rate movements, because gains and losses on these contracts generally offset losses and gains on the transaction being hedged.

The Corporation has made commitments to purchase common stock of utility companies. At December 31, 1994, the Corporation had outstanding commitments to purchase 382,000 shares of common stocks having an aggregate cost of $9,192,000 and an aggregate market value of $9,220,000. Correspondingly, the Corporation held investments in 387,000 shares of other common stocks of utility companies having an aggregate cost of $9,580,000 and an aggregate market value of $9,267,000.

FINANCIAL INSTRUMENTS RECOGNIZED IN BALANCE SHEET

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10. Fair Value of Financial Instruments

	Dec 31, 1994	
(In Thousands of Dollars)	Carrying Amount	Fair Value
Assets (Liabilities):		
Short-term investments	$ —	$ —
Long-term debt, excluding lease obligations	(2,961,576)	(2,968,339)
$92.50 Preference Stock	(300,000)	(345,000)

The fair value of the company's short-term investments is based on quoted market prices at the reporting date for those or similar investments. The fair value of the company's long-term debt, which includes current installments, is estimated using discounted cash flow analyses, based on the company's incremental borrowing rates for similar types of borrowings. The fair value of the company's $92.50 Preference Stock is estimated to be the amount at which (together with accrued dividends) the company has the right, except in certain circumstances, to redeem the shares. On December 6, 1999, all outstanding shares of $92.50 Preference Stock must be redeemed at the carrying amount plus accrued dividends.

The carrying amounts reported in the balance sheet for cash and cash equivalents, receivables, short-term bank borrowings, and accounts payable and accrued liabilities approximate fair values due to the short maturity of those instruments.

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Disclosures About Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, investments pledged as collateral, time deposits, accounts payable, and accrued expenses approximate fair value because of the short maturity of these items.

The carrying amounts of the note payable and debt issued pursuant to the Company's bank credit agreements approximate fair value because the interest rates on these instruments change with market interest rates.

There are no quoted market prices for the 12.70% Notes, 7% Convertible Subordinated Note or Series B ESOP Preferred Stock. Because each of these securities contain unique terms, conditions, covenants and restrictions, there are no identical obligations that have quoted market prices. In order to determine the fair value of the 7% Convertible Subordinated Note, the Company compared it to obligations which trade publicly and concluded that the fair value of the Note is approximately its book value, $22 million. In order to determine the fair value of the 12.70% Notes, the Company discounted the cash payments on the Notes using discount rates ranging from 10% to 11%. Based upon such discount rates, the fair value of the $60 million 12.70% Notes would range between $62.9 million and $63.7 million.

Each share of Series B ESOP Preferred Stock is redeemable at a price of $3.61 per share or convertible into one share of the Company's common stock. Assuming all shares were allocated and all employees were fully vested, the redemption value of the ESOP Preferred Stock would be $5.7 million. Given these same assumptions the shares could be converted into common stock having a market value of $10.0 million at January 1, 1995.

These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

FOSTER WHEELER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(In Thousands of Dollars, Except per Share Amounts)

15. Financial Instruments and Risk Management

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate values:

Cash and Short-term Investments—The carrying amount approximates fair value because of the short maturity of these instruments.

Long-term Investments—The fair values of some investments are estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair market value could not be made without incurring excessive costs. Additional information pertinent to the value of an unquoted investment is provided below.

Long-term Debt—The fair value of the Corporation's long-term debt (including current installments) is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Foreign Currency Contracts and Interest Rate Swaps—The fair values of these financial instruments (used for hedging purposes) are estimated by obtaining quotes from brokers. The Corporation is exposed to market risks from changes in interest rates and fluctuations in foreign exchange rates. Financial instruments are utilized by the Corporation to reduce these risks. The Corporation does not hold or issue financial instruments for trading purposes. The Corporation is exposed to credit loss in the event of nonperformance by the counterparties. All of these financial instruments are with significant financial institutions that are primarily rated A (S&P) or better (see Notes 1 and 7).

Carrying Amounts and Fair Values—The estimated fair values of the Corporation's financial instruments are as follows:

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:				
Cash and short-term investments	$354,362	$354,362	$377,390	$377,390
Long-term investments for which it is:				
Practicable to estimate fair value	700	1,500	700	1,800
Not practicable	4,500		4,500	
Long-term debt	(499,202)	(495,000)	(429,264)	(445,000)
Derivatives:				
Foreign currency contracts	(3,400)	(3,400)	(10,300)	(10,300)
Interest rate swaps	—	(2,000)	—	—

It is not practicable to estimate the fair value of an investment representing the preferred stock of a public company because this stock is not traded; that investment is carried at its original cost of $4,500 in the consolidated balance sheet. At the end of September 1994 (latest available financial statements of this public company), the total assets reported were $83,469 and the stockholders' equity was $41,835. Revenues were $103,319 and net income was $22,313 for nine months.

As of December 30, 1994, the Corporation had $183,000 of forward exchange contracts outstanding. These forward exchange contracts mature between 1995 and 1997. Primarily, these contracts require the Corporation to sell Japanese yen and receive United States dollars.

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash equivalents and trade receivables. The Corporation places its cash equivalents 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 Corporation's customer base, and their dispersion across different businesses and geographic areas. As of December 30, 1994 and December 31, 1993, the Corporation had no significant concentration of credit risk.

FOXMEYER CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N — Estimated Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined based on available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Corporation might realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The carrying amounts of cash and short-term investments, marketable equity securities, accounts receivable, accounts payable and other accrued liabilities are reasonable estimates of their fair value. The estimated fair value of notes receivable is not materially different from the carrying value for financial statement purposes at March 31, 1994 and 1993. In making this determination, the Corporation used interest rates based on the credit worthiness of the customer.

The carrying value of long-term debt is $258.3 million and $265.0 million at March 31, 1994 and 1993, respectively, while the estimated fair value is $250.4 million and $265.3 million, respectively, based upon interest rates available to the Corporation for issuance of similar debt with similar terms and remaining maturities.

It is not practicable to estimate the fair value of the prebankruptcy receivable due from Phar-Mor. While the Corporation believes it has adequately provided for the eventual loss resulting from Phar-Mor's bankruptcy, it is unable to estimate the timing and form of the ultimate settlement of the amounts due the Corporation.

The fair value estimates were based on pertinent information available to management as of March 31, 1994 and 1993. Such amounts have not been comprehensively revalued for purposes of these financial statements since those dates, and current estimates of fair value may differ significantly from the amounts presented herein.

INLAND STEEL INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9. Derivatives and Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Derivatives

The Company has only limited involvement with derivative financial instruments, none of which are used for trading purposes. Derivatives are used to hedge exposure to fluctuations in costs caused by the price volatility of certain metal commodities and natural gas supplies, and in foreign currency exchange rates related to firm commitments regarding a Canadian raw material joint venture. Gains and losses associated with these hedging transactions become part of the cost of the item being hedged. At no time during 1994 or 1993 were such hedging transactions material.

Cash and cash equivalents

The carrying amount of cash equivalents approximate fair value because of the short maturity of those instruments.

Long-term investment

In 1989, the Company and NSC, through a subsidiary, each purchased in the open market approximately $15 million of the other company's common stock. The estimated fair value of the NSC common stock at year-end 1994 and 1993, based on the quoted market price and exchange rate at each year end, was $9.2 million and $6.7 million, respectively, as compared with the carrying value of $11.1 million and $9.5 million included in the balance sheet at December 31, 1994 and 1993, respectively.

Long-term debt

The estimated fair value of the Company's long-term debt (including current portions thereof), using quoted market prices of Company debt securities recently traded and market-based prices of similar securities for those securities not recently traded, was $733 million at December 31, 1994 and $929 million at December 31, 1993 as compared with the carrying value of $725 million and $876 million included in the balance sheet at year-end 1994 and 1993, respectively.

Redeemable preferred stock

The Company believes that it is not practical to estimate a fair market value different from this security's carrying value of $185 million as the security was sold to a joint venture partner and has numerous features unique to this security including, but not limited to, the right to appoint a director, the ability to convert to voting debt, the right of first refusal in change in control situations, a limitation on the acquisition of additional Company stock, and the agreement by the Company to buy back $185 million of the Company's common stock (see Note 4).

INSILCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Fair Value of Financial Instruments

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of those instruments. The fair values of the Company's debt and other financial instruments are disclosed in Note 7.

7. Fair Value of Financial Instruments

The Company has determined the fair value of its debt and other financial instruments as follows:

Term Loan and Revolver Loan

The fair value of the bank term loan and revolving credit facility was determined based upon the present value of expected cash flows considering expected maturities and using interest rates currently available to the Company for long-term borrowings with similar terms.

10⅜% Notes and 9½% Notes

The fair market value of the Old Notes were determined based upon market quotes.

Miscellaneous Debt

The fair value of miscellaneous long-term debt is assumed to approximate recorded value because there have not been any significant changes in market conditions or specific circumstances since the instruments were recorded at fair value in connection with "fresh start" accounting on the Plan Effective Date.

The carrying amounts and fair values of the Company's outstanding long-term debt at December 31, 1994 and 1993 follow (in thousands):

December 1994	Carrying Amounts	Fair Value
Bank term loan	$152,125	152,125
Bank revolving credit facility	44,000	44,000
Miscellaneous debt	1,984	1,984
December 1993		
10⅜% Notes	$228,655	231,513
9½% Notes	75,000	75,140
Miscellaneous debt	3,751	3,751

Interest Rate Hedges

The fair value of the Company's interest rate cap and swap agreements at December 31, 1994 ($1,503,000) generally reflects the estimated amounts that the Company would receive to terminate the contracts at the reporting date, thereby taking into account the current unrecognized gains of open contracts (the carrying amount at December 31, 1994 was $883,000). Quotes from counterparties were used to determine the fair values of these agreements.

At December 31, 1994, the Company's cap agreements limit the maximum interest rate on $35,000,000 of its floating rate bank debt (from 5/30/95 to 5/30/96) and on $40,000,000 (from 5/28/95 to 5/27/97) to 8.25% and its swap agreements fix the interest rate on $175,000,000 (from 11/28/94 to 5/30/95) at 7.43% and on $45,000,000 (from 5/30/95 to 5/30/98) at 8.99%.

The Company is exposed to market risk for changes in interest rates, but has no off-balance sheet risk of accounting loss. The Company manages exposure to counterparty credit risk by entering into such transactions with major financial institutions that are expected to perform under the terms of such agreements.

KERR-MCGEE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Financial Instruments and Hedging Activities

Financial Instruments for Other than Trading Purposes

In addition to the investments discussed above, the company holds or issues financial instruments for other than trading purposes. At December 31, 1994 and 1993, the carrying amount and estimated fair value of such financial instruments for which fair value can be determined, are as follows:

	1994		1993	
(In millions of dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$82	$82	$94	$94
Long-term notes receivable	2	2	2	1
Contracts to sell foreign currencies	—	19	—	10
Contracts to purchase foreign currencies	—	95	—	202
Short-term borrowings	312	312	265	265
Long-term debt	681	759	633	764

The carrying amount of cash and cash equivalents approximates fair value of those instruments due to their short maturity. The fair value of notes receivable is based on discounted cash flows. The fair value of the company's short-term and long-term debt is based on the quoted market prices for the same or similar debt issues or on the current rates offered to the company for debt with the same remaining maturity. The fair value of foreign currency forward contracts represents the aggregate replacement cost based on financial institutions' quotes.

It was not practicable to estimate the fair value of financial instruments including investments in untraded, closely held entities that are carried in the Consolidated Balance Sheet at original cost of $4 million at both December 31, 1994 and 1993. It was not practicable to estimate the fair value of a $10 million long-term note receivable held in connection with the sale of a discontinued operation as the instrument is not marketable. At December 31, 1994 and 1993, the average interest rates were 4.8% and 3.8%, respectively. This note is scheduled to mature in November 1997.

MAPCO INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments.* The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents and long-term receivables: The carrying amounts reported in the balance sheet for cash and cash equivalents and long-term receivables approximate their fair value.

Long-term debt, including current maturities: The carrying amounts of commercial paper and other variable-rate debt instruments approximate their fair value. The fair values of fixed-rate long-term debt are estimated using discounted cash flow analyses based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

Insurance accruals: The fair value of insurance accruals, which represent contractual obligations to pay cash in the future, is estimated based on a discounted cash flow analysis using the Company's incremental borrowing rate as the discount rate.

The carrying amounts and fair values of the Company's financial instruments are as follows (in millions):

December 31,	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$30.6	$30.6	$69.8	$69.8
Long-term receivables	13.8	13.8	6.9	6.9
Long-term debt, including current maturities	753.1	732.2	598.3	640.2
Insurance accruals	11.2	9.9	16.8	12.4

The assumed incremental borrowing rates used to determine the fair value of fixed-rate long-term debt were 8.73% to 9.08% and 7.0% to 7.81% for 1994 and 1993, respectively. The incremental borrowing rates used to determine the fair value of insurance accruals were 8.69% for 1994 and 6.5% for 1993.

Futures, forward and option contracts are used to hedge against the risk of price changes for selected sales commitments of crude oil and refined petroleum products. These contracts permit settlement by delivery of commodities and therefore, are not financial instruments. Contracts that qualify as hedges are correlated to price movements of crude oil and refined petroleum product inventory and any gains or losses resulting from market changes will be substantially offset by gains or losses on the hedged inventory. MAPCO's crude oil and refined petroleum products hedging activities resulted in an unrealized gain of $1.3 million at December 31, 1994 and an unrealized loss of $3.6 million at December 31, 1993.

PACCAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (millions of dollars)

O. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in determining its fair value disclosures for financial instruments:

Cash and equivalents: The carrying amount reported in the balance sheet approximates fair value.

Marketable securities: Marketable securities consist of debt securities. Fair values are based on quoted market prices.

Financial Services net receivables: For floating-rate loans, including wholesale financings that reprice frequently with no significant change in credit risk, fair values are based on carrying values. For fixed-rate loans, fair values are estimated using discounted cash flow analyses based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest and other receivables approximates its fair value. Direct financing lease receivables and the related loss provisions are not included in net receivables.

Short- and long-term debt: The carrying amount of the Company's commercial paper and short-term bank borrowings and floating-rate long-term debt approximates its fair value. The fair value of the Company's fixed-rate long-term debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Off-balance-sheet instruments: Fair values for the Company's interest-rate contracts are based on costs which would be incurred to terminate existing agreements and enter into new agreements with similar notional amounts, maturity dates and counterparties' credit standing at current market interest rates. Foreign exchange contracts require the Company to exchange foreign currency for U.S. dollars and generally mature within six months. The fair value of these foreign exchange contracts is the amount the Company would receive or pay to terminate the contracts. This amount is calculated using quoted market rates.

The carrying amounts of trade payables and receivables approximate their fair value and have been excluded from the accompanying table.

The carrying amounts and fair values of the Company's financial instruments are as follows:

1994	Carrying Amount	Fair Value
Manufacturing:		
Cash and equivalents	$289.9	$289.9
Marketable securities	241.7	241.7
Short-term debt	.7	.7
Long-term debt	8.9	8.9
Financial Services:		
Cash and equivalents	21.4	21.4
Net receivables	1,692.2	1,659.8
Commercial paper and bank loans	687.7	687.7
Long-term debt	999.9	972.4

The Company's off-balance-sheet financial instruments, consisting of interest-rate agreements and foreign exchange contracts, represented additional assets of $9.0 and $2.0 if recorded at fair value at December 31, 1994.

1993	Carrying Amount	Fair Value
Manufacturing:		
Cash and equivalents	$206.2	$206.2
Marketable securities	235.7	238.5
Short-term debt	1.7	1.7
Long-term debt	9.0	9.0
Financial Services:		
Cash and equivalents	17.0	17.0
Net receivables	1,321.8	1,332.6
Commercial paper and bank loans	696.0	696.0
Long-term debt	709.1	713.7

The Company's off-balance-sheet financial instruments, consisting of interest-rate agreements and foreign exchange contracts, represented additional liabilities of $3.7 and $.3 if recorded at fair value at December 31, 1993.

J.C. PENNEY COMPANY, INC. (JAN)

NOTES TO FINANCIAL STATEMENTS

7. Fair Value of Financial Instruments

Estimates of fair value are made at a specific point in time, based on relevant market prices and information about the financial instrument. The estimated fair values of financial instruments presented below are not necessarily indicative of the amounts the Company might realize in actual market transactions. The carrying amount and fair value for the financial assets and liabilities on the consolidated balance sheet at each year end were:

	1994		1993	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
JCPenney Insurance fixed income securities	$661	$661	$670	$710
Asset-backed certificates	453	453	431	510
Other cash investments	148	148	1	1
Equity securities	97	97	80	80
Receivables, net	5,159	5,159	4,679	4,679
Cash and short term investments	261	261	173	173
Financial liabilities				
Long term debt (excluding capital leases)*	$3,231	$3,124	$2,802	$3,021
Bank deposits	702	698	581	584
Short term debt	2,092	2,092	1,284	1,284
Current maturities of long term debt	—	—	348	348

* The fair value of the off-balance-sheet interest rate swaps at the end of 1994, 1993, and 1992 was $(8) million, $13 million, and $4 million, respectively.

Fair values for fixed income securities, asset-backed certificates, and equity securities are based on quoted market prices. Fixed income securities and asset-backed certificates were carried at fair value on the consolidated balance sheet at year end 1994, and were carried at amortized cost in 1993 and 1992. The Company believes that the carrying value of existing customer and bank receivables is the best estimate of fair value because of their short average maturity and bad debt losses can be reasonably estimated and have been reserved. The carrying amount for the Company's cash and short term investments, short term debt, and current maturities of long term debt approximates fair value due to their short maturities. The fair value for long term debt, excluding capital leases, was determined based on the interest rate environment and the Company's credit rating. The fair value of bank deposits was based on the discounted value of contractual cash flows. The fair value of interest rate swaps is estimated based on quotes from brokers, and reflects the estimated amount that the Company would receive or pay to terminate the contracts at the reporting date.

TRIBUNE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Fair Value of Financial Instruments

Estimated fair values and carrying amounts of the Company's financial instruments at December 25, 1994 and December 26, 1993 were as follows:

	1994		1993	
(In thousands)	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Investments in less than 20% owned companies:				
Practicable to estimate fair value	$87,211	$87,211	$47,536	$10,624
Not practicable	—	5,887	—	6,939
QUNO debenture	204,342	204,342	202,323	138,757
Mortgage notes receivable	91,135	83,937	138,235	119,986
Debt	459,453	438,798	574,142	536,655
Contracts payable for broadcast rights	316,809	363,128	299,433	337,532

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Investments in less than 20% owned companies and QUNO debenture—In 1994, upon adoption of SFAS No. 115 (see note 1), certain of these investments and the QUNO debenture have been recorded at fair value in the consolidated financial statements. For other investments for which there are no readily determinable market prices, it was not practicable to estimate fair value.

Mortgage notes receivable—Fair value was estimated using the discounted cash flow method.

Debt—Fair value of the Company's debt was determined based on quoted market prices for similar issues or on current rates available to the Company for debt of the same remaining maturities and similar terms.

Contracts payable for broadcast rights—Fair value of contacts payable for broadcast rights, which are not discounted in the consolidated statements of financial position, was estimated using the discounted cash flow method.

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

Derivative Financial Instruments—Forward exchange contracts are used to hedge net transaction exposures and are marked-to-market with the resulting gains and losses recognized in earnings. Purchased foreign currency options are used to hedge anticipated transactions and realized and unrealized gains and losses are deferred and included as a component of the related transaction. The carrying values of derivative financial instruments are generally reported with other current assets or other current liabilities.

M. Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the company's financial instruments were as follows:

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Short-term investments and current maturities of long-term investments	$217,625	$217,625	$32,517	$32,517
Foreign exchange forward contracts	1,095	1,095	162	162
Long-term investments	647,092	619,723	634,431	661,025
Financial liabilities:				
Short-term debt	42,090	42,090	35,628	35,628
Long-term debt	520,977	490,000	526,837	542,000
Guaranteed debt	274,800	293,000	275,000	333,000

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents and accounts receivable—The carrying value approximates fair value.

Short-term investments and current maturities of long-term investments—The carrying values of instruments maturing within one year are considered to approximate fair value because of the short maturities of those instruments. These instruments are reported with other current assets.

Foreign exchange forward contracts—The fair value was estimated utilizing an externally developed software module which incorporates foreign exchange rates obtained from a quotation service. These contracts are reported with other current assets.

Long-term investments—The fair value of long-term investments is based on estimates received from brokers, by reference to a quotation service, and by computations based on future cash flows that were applied individually to the instruments as applicable.

Short-term debt and accounts payable—The carrying value approximates fair value.

Long-term and guaranteed debt—The fair value was estimated by reference to the public exchange market for the traded long- and medium-term securities of the company. Estimates of fair value were utilized for other long-term debt.

CONCENTRATIONS OF CREDIT RISK

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of cash equivalents, short-term investments, trade receivables and financial instruments used in hedging activities.

The company places its cash equivalents and short-term investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure with any one financial institution. Investments in time deposits and certificates of deposit are acquired from banks having combined capital, surplus, and undistributed profits of not less than $200 million. Investments in commercial paper of industrial firms and financial institutions are rated A1, P1 or better.

Concentrations of credit risk with respect to trade receivables are limited because a large number of geographically diverse customers make up the company's customer base, thus spreading the trade credit risk. The company controls credit risk through credit approvals, credit limits and monitoring procedures. The company performs in-depth credit evaluations for all new customers and requires letters of credit, bank guarantees and advance payments, if deemed necessary. Bad debt expenses have not been material.

The counterparties to the agreements relating to the company's foreign exchange and interest rate instruments consist of a number of major high credit quality international financial institutions. The company does not believe that there is significant risk of nonperformance by these counterparties because the company continually monitors the credit ratings of such counterparties, and limits the financial exposure and the amount of agreements entered into with any one financial institution. While the notional amounts of financial instruments are often used to express the volume of these transactions, the potential accounting loss on these transactions if all counterparties failed to perform is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the company to the counterparties.

ASTROSYSTEMS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Contingencies and Commitments:

7. Concentration of Credit Risk: Most of the Company's customers are large prime contractors with the U.S. Government or various departments and agencies of the U.S. Government (see note I [1]).

Note I (In Part): Other Matters:

1. Major Customers:

During the years ended June 30, 1994 and June 30, 1993, $8,919,000 (66%) and $10,002,000 (65%), respectively, of the Company's sales arose from United States government contracts under which the Company was either a prime contractor or a subcontractor.

In fiscal 1994, approximately $5,092,000 (38%) and $2,402,000 (18%) of the Company's revenues were from one customer and a second customer respectively. In 1993 approximately $4,454,000 (29%) and $2,231,000 (14%) of the Company's revenues were from a different customer and the second customer referred to above.

At June 30, 1994 and June 30, 1993, accounts receivable included balances of $1,404,000 and $2,851,000 respectively, from two of its major customers.

THE WALT DISNEY COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Financial Instruments

Credit Concentrations

The Company continually monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its off-balance-sheet financial instruments and does not anticipate nonperformance by the counterparties. The Company would not realize a material loss in the event of nonperformance by counterparties. The Company enters into off-balance-sheet transactions only with financial institution counterparties which have a credit rating of single A- or better. The Company's current policy in agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below single A-. At September 30, 1994, neither the Company nor the counterparties were required to collateralize their respective obligations under these off-balance-sheet financial instruments.

The Company's trade receivables and investments do not represent significant concentrations of credit risk at September 30, 1994, due to the wide variety of customers and markets into which the Company's products are sold, as well as their dispersion across many geographic areas, and due to the diversification of the Company's portfolio among instruments and issuers. (See Note 2 for a discussion of the Company's investment in Euro Disney.)

GTI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Concentration of Credit Risk—The Company invests a portion of its excess cash in debt instruments of financial institutions with strong credit ratings and has established guidelines relative to diversification and maturities that maintain safety and liquidity. The Company has not experienced any losses on its cash equivalents. The Company sells its products to customers in diversified industries worldwide. The Company performs ongoing credit evaluations of its customers' financial condition and maintains allowances for potential credit losses. Actual losses and allowances have been within management's expectations. The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115) effective January 1, 1994. The adoption of this statement has not had a material effect on the Company's financial statements.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments (In Part):

Concentrations of credit risk. Financial instruments that potentially subject the company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable.

The company maintains cash and cash equivalents, short- and long-term investments and certain other off-balance-sheet financial instruments with various financial institutions. These financial institutions are located in many different geographies throughout the world, and company policy is designed to limit exposure with any one institution. As part of its cash management process, the company performs periodic evaluations of the relative credit standing of these financial institutions.

Credit risk with respect to trade accounts receivable is generally diversified due to the large number of entities comprising the company's customer base and their dispersion across many different industries and geographies. The company performs ongoing credit evaluations of its customers' financial condition, utilizes flooring arrangements with third-party financing companies and requires collateral, such as letters of credit and bank guarantees, in certain circumstances.

The company sells a significant portion of its products through third-party resellers and, as a result, maintains individually significant receivable balances with major distributors. If the financial condition and operations of these distributors deteriorate below critical levels, the company's operating results could be adversely affected. The ten largest distributor receivable balances collectively represented 10 percent and 9 percent of total accounts and notes receivable at October 31, 1994 and 1993, respectively.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

Concentration of credit risk

The Company sells its products to agricultural, industrial, construction, commercial, original equipment manufacturers and retail distributors primarily in the midwestern and southwestern regions of the United States. The Company performs ongoing credit evaluations of its customer's financial condition and, generally, requires no collateral from its customers. The Company's ten largest customers accounted for approximately 33% of sales in 1992, 30% in 1993 and 29% in 1994, and approximately 33% of notes and accounts receivable at both December 31, 1993 and 1994.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk

In connection with normal foreign denominated transactions, the Company had, at August 31, 1994, certain forward contracts and options for the sale and purchase of various currencies totaling $96.8 million, and $3.4 million, respectively, maturing from September, 1994, to July, 1995.

The Company's financial instruments subject to credit risk are primarily trade accounts receivable and cash and cash equivalents. Generally, the Company does not require collateral or other security to support customer receivables. The Company had the following significant concentrations of financial instruments subject to credit risk:

(In thousands) August 31,	1994	1993
United States	$162,839	$104,436
Italy	46,762	64,481
Central Europe and C.I.S.	5,037	11,023

Within the United States, the majority of the Company's business is conducted with individual farm operators located throughout the country. The majority of the Company's business in Italy is transacted with distributors and cooperatives. In Central Europe and the Commonwealth of Independent States (C.I.S.), the Company conducts business primarily with government-sponsored companies and agencies.

RAYTECH CORPORATION (DEC)

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

Note R. Concentration of Trade Receivables and Financial Instruments

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and trade receivables. The Company places its cash with high credit quality institutions. At times such amounts may be in excess of the FDIC insurance limits. The primary businesses of the Company's U.S. subsidiaries are the automotive and heavy duty equipment markets and the related aftermarkets within the United States. As of January 1, 1995, the Company had uncollateralized receivables with two automotive customers approximating $3,400, which represents 25% of the Company's trade accounts balance. During fiscal 1994, sales to these customers amounted to approximately $19,971, which represents 12% of the Company's revenues. The Company performs ongoing credit evaluations of its customers' financial condition but does not require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

STANDARD MOTOR PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company places its cash investments with high quality financial institutions and limits the amount of credit exposure to any one institution. With respect to accounts receivable, such receivables are primarily from warehouse distributors in the automotive aftermarket industry located in the United States. The Company performs ongoing credit evaluations of its customers' financial conditions and does require collateral or other security to support customer receivables where appropriate. Members of one marketing group represent the Company's largest group of customers and accounted for 15% of consolidated net sales for the year ended December 31, 1994. No individual member of this marketing group accounted for more than 10% of net sales for the year ended December 31, 1994. For the year ended December 31, 1994 the Company's five largest individual customers, including the members of this marketing group, accounted for 27% of net sales.

TYSON FOODS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Financial Instruments and Credit Risk Concentration

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 banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. At October 1, 1994, the Company does not have significant credit risk concentrations. No single group or customer represents greater than 10% of total accounts receivable.

At October 2, 1993, the Company had an asset sale agreement with an unrelated financial institution which allowed the Company to sell up to $275 million of accounts receivable. As sold accounts receivable were collected, new qualifying accounts were substituted such that the outstanding balance remained at $275 million. In November 1993, the Company discontinued this asset sale agreement due to lower financing costs available through the sale of commercial paper, which resulted in an increase in accounts receivable of $275 million.

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 1994 financial statements of the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-14: SUBSEQUENT EVENTS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Debt incurred, reduced or refinanced	56	85	85	95
Business combinations pending or effected	53	42	56	43
Litigation	45	30	31	43
Discontinued operations	33	26	36	36
Capital stock issued or purchased	18	17	14	23
Stock splits or dividends	7	8	8	23
Stock purchase rights	5	3	4	5
Employee benefit plans	19	18	16	17
Other—described	58	55	56	54

Debt Incurred, Reduced Or Refinanced

AMERICAN STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

On February 22, 1995, the Board of Directors expressed its intent, subject to the exercise of its fiduciary duties, to allow the Rights Agreement pertaining to the Company's preferred share purchase rights, dated March 18, 1988, as amended, to expire in accordance with its terms on March 18, 1998, without renewal or extension.

On March 9, 1995, the Company completed the redemption of its $175 million 7-¼% Convertible Subordinated Notes due 2001. The Company issued 5.3 million shares of common stock upon the conversion of $120.3 million principal amount of Notes and the balance of approximately $54.7 million principal amount of Notes was redeemed for cash.

OMNICOM GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Long-Term Debt

On January 4, 1995, an indirect wholly-owned subsidiary of the Company issued Deutsche Mark 200 million Floating Rate Bonds (approximately $130 million). The bonds are unsecured, unsubordinated obligations of the issuer and are unconditionally and irrevocably guaranteed by the Company. The bonds bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.65% and may be redeemed at the option of the issuer on January 5, 1997 or any interest payment date thereafter at their principal amount plus any accrued but unpaid interest. Unless redeemed earlier, the bonds will mature on January 5, 2000 and will be repaid at par. The proceeds of this issuance were used for general corporate purposes, including the reduction of outstanding sundry notes and loans payable to banks and other outstanding credit obligations.

PHILLIPS-VAN HEUSEN CORPORATION (JAN)

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

Long-Term Debt and Extraordinary Loss (In Part):

In connection with the acquisition of the Apparel Group of Crystal Brands, Inc., the Company amended its primary revolving credit agreement on February 13, 1995. The amended agreement provides that the Company may, at its option, borrow and repay amounts up to a maximum of $185,000, except that for the Company's third quarter, during which period its borrowings peak, the maximum amount available to the Company is $200,000. All outstanding borrowings under this agreement are due February 13, 1999. Interest on amounts borrowed under the revolving credit agreement is payable quarterly at the prime rate or at LIBOR plus .50%. A commitment fee of .25% is payable quarterly on the unutilized portion of the facility.

On February 13, 1995, the Company entered into a secondary revolving credit agreement under which the Company may, at its option, borrow and repay amounts up to a maximum of $15,000. Borrowings under this agreement bear interest at prevailing market rates as determined by the lending bank.

SIMPSON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Debt

Subsequent to December 31, 1994, the Company entered into bank term loan agreements for $20,000,000 and $4,050,000. The Company borrowed the $20,000,000 in the first quarter of 1995 at an interest rate of 8.45%, payable quarterly, with repayment of principal due in twenty equal quarterly installments commencing in July 2000 with the final installment due February 2005. Additionally, the Company's Mexican subsidiary borrowed $4,050,000 during January 1995 at an interest rate of 8.82%, payable monthly, with repayment of principal due in eighty-four equal monthly installments commencing in February 1996 with the final installment due January 2003.

WHITTAKER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Long-Term Debt
At October 31, 1994, the Company's debt totaled $60.3 million, which consisted of $42.5 million of loans under a revolving bank credit facility, $16.5 million under a bank term loan, and $1.3 million of other debt. In addition, there were $12.5 million of letters of credit outstanding under the revolving credit facility. On January 24, 1995, the Company and a new group of banks entered into a new credit agreement which consists of a $65.0 million revolving credit facility with a three-year term expiring in January 1998 and a $35.0 million term loan that is to be repaid in quarterly installments over five years. Interest on loans outstanding under the credit agreement are based, at the Company's option, on LIBOR or the agent bank's prime rate. The annual interest rate based on LIBOR may range between LIBOR plus 1.0% and LIBOR plus 1.875%, and the annual interest rate based on the prime rate may range between prime and prime plus .50%. The Company is obligated to pay letter of credit fees which may range between .625% per annum and 2.0% per annum on the aggregate amount of outstanding letters of credit, and commitment fees which may range between .25% per annum and .375% per annum on the unused amount of the revolving credit facility. The agreement includes financial covenants with respect to financial leverage, cash flow, and tangible net worth. Proceeds from the new credit facility were used to pay off and cancel the old credit facility and will be used going forward to fund working capital and acquisitions. At the date of the new credit facility, the debt outstanding was $35.0 million under the term loan, of which $3.75 million is due within fiscal year 1995, and $20.5 million of loans and $12.7 million of letters of credit under the revolving credit facility.

WOOLWORTH CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Debt (In Part):
Subsequent to year end, a new revolving credit agreement was negotiated to replace the existing domestic credit agreement scheduled to expire on June 27, 1995. The new $1.5 billion agreement includes a $1.0 billion three-year facility and an additional $500 million facility for the first year of the agreement. Restrictive covenants under this agreement include tangible net worth levels, leverage ratios and cash-flow requirements. Upfront fees paid under this agreement will be amortized as interest expense at the rate of 0.7925% of the credit facility. In addition, the company will pay annual facilities fees between 0.25% and 0.3125% of the facilities based on the company's current credit ratings.

Business Combinations

DEAN FOODS COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event
Subsequent to year-end, the Company was informed that the Board of Directors of Curtice-Burns Foods, Inc., Rochester, New York (Curtice-Burns), voted to pursue a proposal whereby the Company would acquire all of the outstanding stock of Curtice-Burns for $20 per share, subject to the resolution of a number of specified contingencies. The purchase price, including the refinancing of existing indebtedness, is estimated to be approximately $460 million.

The more significant contingencies which must be resolved include the satisfactory resolution of the arbitration of the agreement between Curtice-Burns and Pro-Fac Cooperative (Pro-Fac) covering the supply of agricultural crops to Curtice-Burns and the use of the various processing plants and equipment owned by Pro-Fac but used in the conduct of the business, the negotiation of a definitive agreement for the concurrent sale of the Nalley's Fine Foods Division, clearance of the transaction by appropriate governmental agencies, negotiation of definitive agreements and approval of any transaction by the Curtice-Burns shareholders.

Curtice-Burns' products include canned pie fillings, canned aseptic products, canned and frozen traditional vegetables, frozen southern vegetables, and canned bean products marketed under private labels and regional brands including *Comstock, Wilderness, Thank You, McKenzie's* and *Brooks*. Curtice-Burns also produces and markets canned meats, salad dressings and chili products in the Northwestern United States and Canada (Nalley's Fine Foods Division), snack foods in Pennsylvania, Ohio and the Northwestern United States and popcorn in the midwest which the Company currently considers to be non-core businesses and may be sold should the Company acquire Curtice-Burns. For the nine months ended March 26, 1994, Curtice-Burns reported sales of $643 million, net income of $10 million and net income per share of $1.11 per share.

Management is confident that should the contingencies be resolved, the Curtice-Burns transaction would be financed through a new bank revolving credit and term loan facility. Although the Company has held discussions with its existing banks regarding such a facility, no agreement exists concerning the amounts or terms of any such facility. As a result of the substantial contingencies involved in the Curtice-Burns acquisition, management is unable to predict the timing of eventual resolution or the impact on the Company's proposal to acquire Curtice-Burns.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Acquisition of Joy Technologies Inc.

On November 29, 1994, the Company completed the acquisition of Joy Technologies Inc. ("Joy") upon the approval of the shareholders of each company. Under the terms of the acquisition, to be accounted for as a pooling of interests, the Company exchanged 17,720,750 common shares for all of Joy's 31,353,000 outstanding shares, at an exchange ratio of .5652 of a share of the Company's common stock for each of Joy's common shares.

Joy's Mining Group is a leader in the worldwide development, manufacturing, distribution and servicing of underground mining equipment for the extraction of coal and other bedded materials. In addition, Joy's Environmental Group is a supplier of air pollution and ash handling equipment for electric utilities and other industrial operations.

The financial position and results of operations of the Company and Joy will be combined in fiscal 1995 retroactive to November 1, 1994 and the fiscal year of Joy has been conformed to the Company's fiscal year. In addition, all prior periods presented will be restated to give effect to the merger. The Company's fiscal 1994 financial statements will be combined with Joy's fiscal 1994 financial statements (fiscal year ended February 25, 1994). Joy's operating results for the period February 26, 1994 to October 31, 1994 will be reflected as an adjustment to the combined Company's retained earnings on November 1, 1994.

Presented below are condensed combined financial statements as of and for the year ended October 31, 1994. Amounts related to Joy are presented as of and for the year ended February 25, 1994 and have been adjusted to reflect the adoption of SFAS 106 through the immediate recognition of the obligation as of the beginning of the period to conform with the Company's adoption.

Condensed Combined Balance Sheet

October 31, 1994 *(in thousands)*	Harnischfeger	Joy	Combined
Assets			
Current assets	$718,889	$324,512	$1,043,401
Property, plant and equipment–net	395,879	94,358	490,237
Other noncurrent assets	324,085	122,784	446,869
	$1,438,853	$541,654	$1,980,507
Liabilities			
Current liabilities	$468,133	$143,943	$612,076
Long-term obligations	243,208	325,725	568,933
Other noncurrent liabilities	155,711	55,583	211,294
	867,052	525,251	1,392,303
Minority interest	85,570	—	85,570
Shareholders' Equity	486,231	16,403	502,634
	$1,438,853	$541,654	$1,980,507

Condensed Combined Statement of Operations

Year Ended October 31, 1994 *(in thousands)*	Harnischfeger	Joy	Combined
Net sales	$1,116,704	$566,038	$1,682,742
Other income	23,219	82	23,301
	1,139,923	566,120	1,706,043
Operating costs and expenses	1,093,016	517,442	1,610,458
Operating income	46,907	48,678	95,585
Interest expense, income taxes and minority interest	(27,785)	(34,182)	(61,967)
Income from continuing operations	19,122	14,496	33,618
Accounting changes and other	(67,149)	(18,666)	(85,815)
Net income (loss)	$(48,027)	$(4,170)	$(52,197)
Earnings per share from continuing operations			$0.77
Net income (loss) per share			$(1.19)

H.J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Events:

On May 16, 1994, the company acquired the Borden Foodservice Group, a unit of Borden, Inc. Borden's Foodservice Group includes a single-serve line of condiments and bulk-sized oil-based products, such as salad dressings and mayonnaise.

On May 26, 1994, the company announced that it had entered into negotiations with Glaxo India Limited, based in Bombay, to acquire Glaxo's Family Products Division, which produces a wide range of nutritional drinks, baby food and other consumer products. This transaction has been approved by both companies' boards of directors, but is subject to completion of negotiations, authorization from the Indian government and approval by Glaxo India Limited's shareholders.

On May 27, 1994, the company announced that it had agreed to acquire the Farley's infant food and milk business as well as its adult nutrition business from The Boots Company PLC of Nottingham, England for approximately $140 million. Farley's product offerings include a wide range of baby feeding products, from formulas to post-weaning biscuits, cereals and dry meals. It also sells adult meal supplements under the brand name Complan. The transaction is subject to the approval of the appropriate governmental authorities.

Pro forma results of the company, assuming probable and completed acquisitions had been made at the beginning of each period presented, would not be materially different from the results reported.

INTERSTATE BAKERIES CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Event

On June 13, 1994, the Company completed the acquisition of the assets and liabilities of Fuchs Baking Co. ("Fuchs"), Miami, Florida. Fuchs, which has annual sales of approximately $50,000,000, produces and distributes bakery products throughout central and southern Florida. The acquisition, which was financed through borrowings on the Company's revolving credit agreement, will be accounted for as a purchase.

SUNRISE MEDICAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Subsequent Event

On September 16, 1994 the company completed the acquisition of certain assets of Jay Medical Ltd., a manufacturer of wheelchair cushions and seating systems for a purchase price of $31.5 million consisting of a combination of cash, Sunrise common stock and subordinated debt. The cash portion of the purchase price was funded from the company's credit facility, which was amended and expanded to $225 million.

THERMO ELECTRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Subsequent Events

Acquisitions

On February 8, 1995, the Company entered into a definitive agreement to acquire Coleman Research Corporation (CRC) in exchange for up to 2,669,158 shares of Company common stock, including approximately 146,900 shares reserved for issuance upon exercise of stock options. CRC provides systems integration, systems engineering, and analytical services to government customers in the fields of information technology, energy and the environment, software engineering, launch systems, advanced radar and imaging, and health systems. The acquisition is subject to certain conditions, including the approval of CRC's shareholders, and is expected to be consummated on or about March 15, 1995. If completed, the acquisition of CRC will be accounted for using the pooling of interests method.

On March 1, 1995, the Company's Thermo Instrument subsidiary entered into an Asset and Stock Purchase Agreement (the Agreement) with Fisons plc (Fisons) under which Thermo Instrument agreed to acquire the Scientific Instruments Division (the Division) of Fisons for £202 million. The Division is principally composed of operations that are involved in the research, development, manufacture, and sale of analytical instruments to industrial and research laboratories worldwide. For the fiscal year ended December 31, 1994, the Division had unaudited revenues of approximately £262 million and an unaudited net loss of approximately £19 million. Consummation of the acquisition is subject to several conditions, including the approval of Fisons shareholders, regulatory approvals, consent of certain third parties, and customary conditions to closing. The purchase price is subject to a post-closing adjustment based on the net asset value of the Division as of the closing date.

TYCO INTERNATIONAL LTD. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Subsequent Event

On July 13, 1994, the Company entered into an Agreement and Plan of Merger (the "Merger") whereby T Acquisition Corp., a wholly-owned subsidiary of the Company, will be merged with and into Kendall International, Inc. ("Kendall"), an $800 million manufacturer and distributor of disposable medical supplies and devices, home health care products, and adhesive products for health care, consumer and industrial applications. In the Merger, each outstanding share of common stock of Kendall will be converted into 1.3 shares of common stock of the Company, provided that if the Average Stock Price is less than $44.175, the Exchange Ratio will be $57.4275 divided by the Average Stock Price, but in no event greater than 1.37222; and if the Average Stock Price is greater than $46.50, the Exchange Ratio will be $60.45 divided by the Average Stock Price. "Average Stock Price" means the average of the Daily Per Share Prices for the twenty consecutive trading days ending on the fifth trading day prior to the Kendall Special Meeting. The "Daily Per Share Price" for any trading day means the weighted average of the per share selling prices on the New York Stock Exchange of Tyco common stock for that day. The Company will also assume all outstanding options, warrants and other rights to acquire Kendall common stock. The Merger is subject to approval by the stockholders of both companies and certain other conditions, including the receipt of the opinions that the Merger may be accounted for as a pooling of interests and qualify as a tax-free reorganization.

Under certain conditions, if the Merger Agreement is terminated at any time prior to its consummation, Kendall will pay the Company a fee of $39 million plus reasonable documented out-of-pocket expenses and conversely the Company may be required to pay such amount to Kendall.

UNITED STATES SURGICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Acquisitions

In November 1994 the Company signed a letter of intent to purchase the assets of its independent distributor in Japan, which consist of real property with a book value of approximately $10 million, inventories of products purchased by the distributor from the Company at the distributor's cost of approximately $17 million and intangible assets (primarily goodwill). The Company substantially completed its due diligence investigations in December 1994 and it signed the Asset Purchase Agreement on February 1, 1995 for a purchase price of approximately $61 million payable over seven years at no interest (present value of the purchase price approximately $46 million). Before the closing of the transaction can occur the transaction must receive the approval of two governmental authorities in Japan, which the Company expects to receive in March 1995. In anticipation of the reacquisition of the distributor's inventory of products previously purchased by the distributor from the Company, the Company reduced 1994 sales revenue and gross profit by approximately $17 million and $8 million ($.14 per common share), respectively, based upon the inventory quantities on-hand at the distributor's warehouse as of December 31, 1994.

DURACELL INTERNATIONAL INC. (JUN)

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

13 (In Part): Income Taxes

On July 8, 1994, the Company received a settlement offer from the U.S. Internal Revenue Service (the "IRS") to resolve all issues arising from the IRS's recently completed audit of the Company's income tax returns for the years ended June 30, 1988, 1989 and 1990. The IRS offer was made pursuant to its Intangibles Settlement Initiative, a program designed by the IRS to allow an early settlement of a large number of pending cases involving acquisitions that included significant intangible assets. Management expects to settle pursuant to the IRS offer. The settlement will reduce the U.S. net operating loss carryforward for tax purposes at June 30, 1994 from $350 to approximately $130 and will impact cash flows principally over three years. Because the proposed settlement relates to deductions claimed in connection with assets acquired by the Company in June 1988, the additional tax that will ultimately result from the proposed settlement has been recorded as an increase to both deferred tax liabilities and goodwill of $105 on the June 30, 1994 balance sheet. The proposed settlement will not have a significant impact on the Company's future earnings.

Litigation

BMC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

In January 1995, a U.S. District Court jury in Miami, Florida awarded the Company a verdict totaling $5.1 million against Barth Industries (Barth) of Cleveland, Ohio and its parent, Nesco Holdings, Inc. (Nesco). The verdict relates to an agreement under which Barth and Nesco were to help automate the plastic lens production plant in Ft. Lauderdale. The Company has not recorded any income relating to this verdict as a final judgement has not yet been rendered and Barth and Nesco are expected to appeal.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Subsequent Event

Subsequent to the end of the fiscal year, the company settled with Northrup Grumman Corporation its six-year software copyright infringement and trade secrets litigation against Grumman Systems Support Corporation ("Grumman"). Under the terms of the settlement, Grumman paid the company $53 million and the parties have dismissed all pending litigation. The settlement will result in a pre-tax gain, net of related legal fees and other expenses, of $44.5 million which the company will recognize in its first quarter fiscal 1995 financial statements.

Discontinued Operations

CINCINNATI MILACRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

On January 27, 1995, the company completed the sale of its American Mine Tool business resulting in a pretax gain to be recognized in the first quarter of 1995 of approximately $5 million. The sale will not have a significant effect on reported sales or earnings from normal operations in the future.

On February 1, 1995, the company completed the acquisition of Krupp Widia GmbH (Widia) for DM 121 million (approximately $78 million) in cash and DM 33 million (approximately $21 million) in assumed debt. Headquartered in Germany, Widia had sales of approximately $240 million in 1994 and is one of the world's leading producers of metalcutting products and industrial magnets. The acquisition, which will be accounted for under the purchase method, was financed principally through borrowings under the company's revolving credit agreement. The company is currently evaluating alternative actions to integrate Valenite and Widia to improve future profitability which could result in incremental costs and expenses in 1995.

FIRST BRANDS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Subsequent Event—Sale of Prestone

On August 26, 1994, First Brands sold the PRESTONE antifreeze/coolant and car care business to Prestone Products Corporation, a company organized and controlled by Vestar Capital Partners, a private investment firm, for $142,000,000 in cash and $13,000,000 7½% subordinated debenture maturing in 2003, which for financial statement purposes has been valued at $9,000,000. In consideration for this purchase price, Vestar/Freeze Holdings acquired assets and assumed liabilities of approximately $124,000,000 and $31,000,000, respectively. The Company is in the process of finalizing its calculation of the gain on the sale.

The following table presents certain financial information of the Prestone Business:

(in thousands)	1994
Sales for the year ended June 30, 1994 were approximately	$191,000
Total assets at June 30, 1994 were approximately	$126,000
Total liabilities at June 30, 1994 were approximately	$40,000

Pursuant to the acquisition agreement, First Brands and the Prestone Products Corporation entered into several contracts including the bridging of certain administrative services, research and development sharing, purchase of certain PRESTONE car care products, and international distributor agreements.

IMO INDUSTRIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Subsequent Events

On January 3, 1995, the Company completed the sale of the Baird Analytical Instruments division of its Electro-Optical Systems business to Thermo Instrument Systems Inc., a subsidiary of Thermo Electron Corporation, for $12.3 million in cash, which was used to reduce its domestic senior debt. A loss was previously recognized in connection with the net realizable value adjustment on the entire Electro-Optical Systems business recorded in 1993.

On January 17, 1995, the Company completed the sale of its Delaval Turbine and TurboCare divisions, which comprise substantially all of the Company's Turbomachinery business segment, and its 50% interest in Delaval-Stork, a Dutch joint venture, to Mannesmann Capital Corporation, a subsidiary of Mannesmann Demag of Dusseldorf, Germany, for $124 million in cash. At closing, the Company received $109 million, with the balance earning interest until it is received at specified future contract dates subject to adjustment as provided in the agreement. A portion of these proceeds were used to complete the repayment of the Company's domestic senior debt in January 1995. In March 1995, $40 million of the 12.25% senior subordinated debentures were redeemed with the remainder of these proceeds. This transaction, which will be reflected in the Company's financial statements in the first quarter of 1995, will result in an estimated after-tax gain of $40 million.

Deferred debt expense of $4.2 million, associated with the portions of the domestic senior debt and senior subordinated debentures extinguished in connection with the above transactions, was written off as an extraordinary charge in the first quarter of 1995.

Both the Electro-Optical Systems and Turbomachinery business segments have been accounted for as discontinued operations, and an interest allocation has been included in the income (loss) from operations of the discontinued operations in each of the three years in the period ended December 31, 1994 (See note 2).

Presented below is an unaudited condensed balance sheet which sets forth historical information as adjusted to give effect to the sales of the Company's Baird Analytical Instruments division and its Turbomachinery business including its 50% interest in Delaval Stork, and the related debt repayments. The adjustments assume that the transactions occurred on the balance sheet date.

December 31, 1994 *(Dollars in thousands)*	Reported	Adjustments	Adjusted
		(Unaudited)	(Unaudited)
Cash and cash equivalents	$ 26,942	$ —	$ 26,942
Other current assets	182,668	5,000	187,668
Noncurrent assets	220,079	5,800	225,879
Net assets of discontinued operations	144,970	(72,870)	72,100
Total Assets	$574,659	$(62,070)	$512,589
Notes payable and current portion of long-term debt	$ 29,810	$(13,333)	$ 16,477
Other liabilities	195,855	23,797	219,652
Long-term debt	376,998	(108,334)	268,664
Shareholders' equity (deficit)	(28,004)	35,800	7,796
Total Liabilities and Shareholders' Equity (Deficit)	$574,659	$(62,070)	$512,589

PENTAIR, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Pending Divestiture—In February 1995, an agreement was signed for the sale of Cross Pointe Paper, to be completed in April 1995, subject to certain conditions. The aggregate sales price of $200 million exceeds its book value. Cross Pointe's operations had revenues of $249.3 million, $233.8 million and $231.0 million for the years ending December 31, 1994, 1993 and 1992, respectively.

Capital Stock Repurchased

CENTRAL SPRINKLER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event:

On December 21, 1994 the Company repurchased 1,236,833 shares of its common stock that were under the control of one investment management company for the beneficial interest of various clients for which it acts as an investment adviser. The shares repurchased represented 25% of the outstanding common stock of the Company. Following the repurchase, the Company now has 3,717,322 shares of common stock outstanding. The repurchase price was $9.50 per share for an aggregate purchase price of approximately $11,750,000. These shares are being held in the treasury for possible future issuance. The treasury stock repurchase is being paid for through a combination of the Company's cash and investments and further short-term borrowings.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Z. Subsequent Events

On January 11, 1995, the company commenced a tender offer to purchase for cash any and all of the Series A Preferred Stock represented by 44.6 million outstanding depositary shares for a price of $25.00 net per depositary share. Under the offer, depositary shares tendered and purchased by the company will not receive or otherwise be entitled to the regular quarterly cash dividend expected to be paid for the first quarter of 1995 and also will not receive any accrued dividends for that period. The offer is not conditioned upon any minimum number of depositary shares being tendered. The offer and withdrawal rights expired on February 8, 1995. The company has purchased 34.1 million depositary shares under this offer.

On January 31, 1995, the Board of Directors authorized the company to repurchase up to $2.5 billion of IBM common shares on the open market. The company plans to purchase the shares from time to time, depending on market conditions.

SEAGATE TECHNOLOGY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events (In Part):

In July 1994 the Company acquired 300,000 shares of its common stock for approximately $7.5 million. The repurchase of these shares was in connection with a stock repurchase program announced in July 1994 in which up to 7,000,000 shares of the Company's common stock may be acquired in the open market. The purpose of the stock repurchase program is to enhance shareholder value. The repurchase program will also provide shares to be issued under the Company's employee stock plans and thereby reduce dilution from such plans.

Stock Splits

AMP INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Stock Split

On January 25, 1995, the Board of Directors authorized a two-for-one stock split to be distributed on or about March 1, 1995, to shareholders of record on February 6, 1995. In addition, authorized shares were increased from 350,000,000 to 700,000,000. All references in the financial statements to number of shares, per share amounts and market prices of the Company's common stock have been retroactively restated to reflect the increased number of common shares outstanding.

LADD FURNITURE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Subsequent Event

On March 2, 1995, the Board of Directors authorized, subject to shareholder approval, a one-for-three reverse split of the Company's common stock. If this proposed split is approved by the shareholders on May 12, 1995, the par value of the common stock will increase to $0.30 per share. Additionally, the number of common shares outstanding will decrease by two-thirds and per share data for all periods presented will increase accordingly.

Stock Purchase Rights Issued

STEWART & STEVENSON SERVICES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common Stock

Shareholder Rights Plan: On March 9, 1995, the Company announced that its Board of Directors adopted a shareholder rights plan. The Company adopted the plan to protect shareholders against unsolicited attempts to acquire control of the Company that do not offer what the Company believes to be an adequate price to all shareholders. The rights will be issued to shareholders of record on March 20, 1995 and will expire on March 20, 2005.

The plan provides for the issuance of one right for each outstanding share of the Company's Common Stock. The rights will become exercisable only if a person or group acquires 15% or more of the Company's outstanding voting stock or announces a tender or exchange offer that would result in ownership of 15% or more of the Company's stock. Each right will entitle the holder to buy one-third of a share of Common Stock at an exercise price of $30 per right, subject to antidilution adjustments. The Company's Board of Directors may, at its option, redeem all rights for $.01 per right at any time prior to the acquisition of 15% or more of the Company's stock by a person or group. If a person or group acquires 15% or more of the Comapny's outstanding voting stock, each right will entitle holders, other than the acquiring party, to purchase shares of the Company's Common Stock having a market value of twice the exercise price of the right.

The plan also includes an exchange option. If a person or group acquires 15% or more, but less than 50%, of the outstanding voting stock, the Board of Directors may at its option exchange the rights in whole or in part for shares of the Company's stock for each two shares of Common Stock for which a right is then exercisable. This exchange would not apply to shares held by the person or group holding 15% or more of the Company's voting stock.

If, after the rights have become exercisable, the Company merges or otherwise combines with another entity, or sells 50% or more of its assets or earning power, each right then outstanding will entitle its holder to purchase for $30, subject to antidilution adjustments, a number of the acquiring party's common shares having a market value of twice that amount.

Employee Benefits

NORTHROP GRUMMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Benefits (In Part)

Effective January 1, 1995, the company adopted amendments to two of the company's retirement plans to cap the maximum years of service credit that an employee can earn and adjusted the amount of service credit earned each year. The effect of these changes was to increase the projected benefit obligation at December 31, 1994 by $210 million.

Tender Offers

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Subsequent Event

In November 1994, the company published a tender offer and related preparatory contract to acquire 74.2% of the outstanding shares (9.7 million) of Caburos Metalicos S.A. (Carburos), representing all of the shares in Carburos not owned by the company. The tender offer for 34.5% of the outstanding shares (4.5 million) was at a price of 4,550 pesetas per share. Shares representing 39.7% of the outstanding shares (5.2 million) had committed to accept the preparatory contract offer and were excluded from the tender offer. The company will make additional tender offers in September 1995 and September 1996, subject to the approval of the Spanish authorities, to acquire any remaining shares of Carburos. As part of this transaction, the company offered to all shareholders a preparatory contract whereby in exchange for 250 pesetas per share, payable in cash upon settlement of the 1994 tender offer, the shareholder would agree not to tender any shares in the initial tender offer and to limit the number of shares tendered to 50% of its holding in each of the September 1995 and 1996 tender offers. Additionally, this preparatory contract grants a call option to the company to acquire in fiscal 1998 any shares not previously tendered. The price for the September 1995 and 1996 tender offer is 5,150 pesetas per share and 5,730 pesetas per share, respectively, subject to adjustment and payable by 31 October of the relevant year, and the option price is 6,016 pesetas per share, also subject to adjustment. The expected cost of purchasing the remaining 74.2% of the shares will be approximately $400 million using forecasted exchange rates. The acquisition is expected to be financed with borrowings. Caruburos is the leading supplier of industrial gases in Spain. For the year ended 30 September 1994, Carburos has unaudited revenues of $222 million and net income of $16 million.

CLARK EQUIPMENT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

On February 3, 1995, the Company announced that it will make a tender offer to purchase for cash all of the outstanding shares of Club Car, Inc., a leading manufacturer of golf cars and light utility vehicles. The purchase price is expected to aggregate approximately $237 million, plus transaction costs. For the year ended September 30, 1994, Club Car reported sales of approximately $186 million, and at September 30, 1994, had tangible net worth of about $17 million. The Company expects to fund this acquisition with its available cash, through use of its revolving credit facility, and eventually through use of net proceeds from the sale of VME, which should amount to about $430 million after payment of taxes and costs of the transactions.

The Company also announced on February 3, 1995, that its Board of Directors has authorized the repurchase of as many as 3 million shares of its common stock. It is expected that proceeds from the VME sales will be partially used to fund this repurchase program.

Formation Of Joint Venture

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Subsequent Event

On February 6, 1995, the company announced that it has reached agreement with Nippon Sheet Glass Co., Ltd., Tokyo, and Sumitomo Corporation, Tokyo, to sell a minority interest in its soda ash business for $150 million. In addition, Nippon Sheet Glass Co., Ltd. and Sumitomo Corporation will be investing in FMC's $135 million two-phased solution mining project. When the deal is completed, the Japanese companies will hold a 20 percent equity interest in FMC Wyoming Corporation, a wholly owned subsidiary of FMC, which will be composed solely of FMC's soda ash business. FMC Wyoming will supply soda ash to the glass manufacturing operations of Nippon Sheet Glass.

FMC will retain management control of both the soda ash business and its Green River, Wyoming, soda ash mining and manufacturing facility. FMC also will retain 100 percent ownership of the non-soda ash facilities and businesses located in Green River. The joint venture is expected to be completed in the second quarter of 1995, subject to various conditions, which include completion of due diligence, approval by the companies' respective boards of directors and receipt of requisite government approvals.

Tender Offer For Stock Of Reporting Company

MAXUS ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Twenty-Six—Subsequent Event

Maxus has agreed to a merger with YPF Acquisition Corp. ("YPFA Corp."), a wholly owned subsidiary of YPF Sociedad Anónima ("YPF"). YPFA Corp. has commenced a tender offer (the "Offer") to purchase all of Maxus' outstanding Common Stock for $5.50 per share in cash. If such number of shares of Common Stock constituting a majority of Maxus' voting stock, *i.e.*, the Common Stock and the $4.00 Preferred Stock, are tendered in the Offer and the other conditions to the Offer are satisfied (including the receipt by YPF and YPFA Corp. of financing), the Offer will be followed by a merger in which the remaining Common Stock will be exchanged for the same price of $5.50 per share. Holders of Common Stock on the close of business on March 22, 1995 also will receive a cash payment of $0.10 per share upon redemption of rights issued under Maxus' shareholder rights plan.

Licensing Agreement

STANHOME INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Subsequent Event:

In January 1995, the Company entered into an agreement with a third party to license the domestic operations of its Worldwide Direct Selling Group. The business to be licensed, known as Stanley Home Products ("SHP"), markets home care, personal care and cosmetic items to consumers through direct selling programs. SHP, with net sales of approximately $36 million in 1994, has produced operating losses for the past several years. It represents approximately 14% of the Worldwide Direct Selling Group's 1994 net sales and less than 5% of the Company's consolidated net sales. For 1994, SHP's operating loss in the U.S. and Puerto Rico was approximately $3.5 million.

The agreement calls for the third party to license the trademarks and formulas of SHP for use in the U.S., Puerto Rico and Canada, and remit to the Company royalties based on sales of the related products.

The transfer of the SHP business is to be completed by the second quarter of 1995. In connection with this agreement, the Company will close administrative and distribution facilities in the U.S. and Puerto Rico during the first quarter of 1995. Management believes that the total costs to exit the SHP operations, including employee severance benefits, will be offset in 1995 by a comparable amount of gains, approximately $6 million, primarily from the sale of SHP's distribution facilities. The costs to exit the SHP operations are therefore not expected to have a material adverse impact on the Company's future operating results or financial condition. As of December 31, 1994 the net book value of assets of the business to be disposed of were accounts receivable of $1.8 million, net inventories of $6.4 million and net property, plant and equipment of $1.9 million. In accordance with Emerging Issues Task Force Issue 94-3, exit costs were not recorded in 1994.

Restructuring Plan Approved

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

The Company's Board of Directors on February 21, 1995, approved a restructuring plan that will result in a first quarter pretax charge of $58 million. The charge will be taken to cover the one-time costs of reducing excess manufacturing capacity by closing its facility in Lima, Ohio, reducing the engineering overhead in the Company's Aerospace segment, and writing down the assets of two non-core product lines.

The anticipated net effects of additional non-accrued expenses, restructuring savings, and related nonrecurring gains are a pretax loss of approximately $7 million in 1995 and pretax earnings of approximately $20 million in 1996. The restructuring is expected to reduce cash flow by about $16 million in 1995 and provide a cash flow benefit of about $8 million in 1996.

Reorganization

THE TIMES MIRROR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 — Reorganization

On February 1, 1995, the company completed the merger of its cable television operations with Cox Communications, Inc. (Cox) and completed the transfer of all its non-cable operations into a newly formed entity, New TMC, Inc., as part of a tax-free reorganization. New TMC, Inc. was then renamed The Times Mirror Company. The company expects to record a gain of approximately $1.6 billion on the cable television transaction during the first quarter of 1995. The company borrowed $1.306 billion shortly before the merger. The $1.306 billion of debt, as well as $57.3 million of the company's publicly held notes which were not repurchased or exchanged prior to the merger, was assumed by Cox on February 1, 1995. The company retained the cash proceeds from the debt issuance. About one-third of the proceeds were used to retire the short-term borrowings issued to finance the debt tender offer and to redeem the company's $100 million 8 7/8% Notes which were called on February 1, 1995. Approximately $125 million of the proceeds are being used to retire commercial paper borrowings, which are being paid off as they mature, through March 1995. As of February 1, 1995, the company had total debt of approximately $281.2 million, including $34.7 million of commercial paper and $246.5 million of long-term debt. Cash of approximately $659 million as of February 1, 1995, primarily representing the cash remaining after the aforementioned debt payouts, is invested in short-term money market instruments with a weighted average interest rate of 5.8%.

On February 1, 1995, the company's commercial paper program was terminated as a result of the merger, since those arrangements were established by the predecessor to the company, which was merged with Cox.

In addition to assuming debt and accrued interest of approximately $1.364 billion, Cox will issue between 48,806,033 shares and 59,651,818 shares of their Class A common stock to the non-controlling shareholders of the company, which excludes all Chandler Trust shareholders. This stock has an estimated aggregate fair value of $932,000,000. Due to certain constraints imposed by the terms of the Chandler Trusts, in lieu of common stock of Cox Cable, the Chandler Trusts will receive non-voting, Series A cumulative preferred stock with an aggregate stated value of approximately $412,000,000 with a dividend rate of approximately 9 percent. This preferred stock is expected to be issued between March 17, 1995 and May 3, 1995 but earns dividends from March 1, 1995. In connection with the settlement of reorganization-related litigation, all non-controlling shareholders are being offered the opportunity to exchange shares of Series A or Series C common stock for shares of Series B cumulative preferred stock. This offering commenced on February 16, 1995. The Series B preferred stock will have a dividend rate of 6.5% and will earn dividends from March 1, 1995. The following shows the pro forma capital accounts of the company assuming that the transactions had occurred on December 31, 1994, after giving effect to the $932 million partial redemption of certain shareholder interests, the retirement of treasury stock, the issuance of preferred stocks and the anticipated $1.6 billion gain (in thousands):

	Pro Forma (Unaudited)
Common Stock, Pro Forma:	
Series A, $1.00 par value, 500,000,000 shares authorized, 81,116,000 shares issued and outstanding	$81,116
Series B, $1.00 par value, 100,000,000 shares authorized, no shares outstanding	—
Series C, $1.00 par value, 300,000,000 shares authorized, 30,939,000 shares issued and outstanding	30,939
Preferred Stock, Pro Forma:	
Preferred stock, $1.00 par value, 7,100,000 shares authorized, no shares outstanding	—
Series A preferred stock, $1.00 par value, 900,000 shares authorized, 824,000 shares issued and outstanding, stated at liquidation value	412,000
Series B preferred stock $1.00 par value, 25,000,000 shares authorized, 16,563,000 shares issued and outstanding, stated at liquidation value	350,000
Additional paid-in capital	167,898
Retained earnings	1,583,090

The following shows pro forma income statement data for the year ended December 31, 1994 assuming that the transactions had occurred on January 1, 1994, that all commercial paper and $500 million of debt was retired on January 1, 1994 and that preferred dividends aggregated $59.8 million in 1994 (in thousands, except per share amount):

	Pro Forma (Unaudited)
Income from continuing operations	$153,484
Earnings per common share for income from continuing operations	$.83

Exercise Of Put Agreement

UNIVAR CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Subsequent Events

Exercise of Dow Put Agreement — On June 24, 1991, the Corporation and The Dow Chemical Company ("Dow") entered into an Agreement of Purchase and Sale of Stock (the "Dow Purchase Agreement"). In accordance with the Dow Purchase Agreement, Univar sold 1,900,000 shares of its common stock to Dow at a price of $15.84 per share. In addition, Univar reserved the right to put to Dow between approximately, 2,500,000 and 2,900,000 additional shares of common stock at a price that escalated over time, but which reached a maximum price of $18.74 per share. The number of additional shares that could be sold depended on whether Pakhoed Investeringen B.V. ("Pakhoed") exercised its right to acquire shares from Univar at the same price as they were sold to Dow in order for Pakhoed to maintain its percentage share ownership in Univar. Pakhoed elected not to exercise its right to acquire additional shares. Therefore, based on the manner in which the calculation of the number of additional shares to be sold was made, the actual maximum number of shares that Univar could put to Dow was 2,509,371. In lieu of the unilateral right of Univar to put 2,509,371 shares of common stock to Dow, on May 13, 1994, Univar and Dow executed an Amended and Restated Agreement of Purchase and Sale of Stock (the "Amended Agreement").

Under the terms of the Amended Agreement, Dow purchased from Univar 2,000,000 shares of common stock at a price of $18.74 per share (a total purchase price of $37,480,000). Dow now holds 3,900,000 shares of common stock representing 18.02% of the issued and outstanding shares of Univar. In addition, Dow and Univar have agreed that, at any time within the three year period ending May 12, 1997, Univar can put to Dow, or Dow can call, up to 101,874 shares of Series A Convertible Preferred Stock. The price per share will be $93.70. Each share of Series A Convertible Preferred Stock is convertible into five shares of common stock by either Dow or Univar. In the event of a call or put, either all or half the 101,874 shares must be called by Dow or put by Univar. With respect to the conversion of the Series A Convertible Preferred Stock into Univar common stock, Univar has agreed that it will not convert the preferred shares if, following the conversion, Dow would own in excess of 19.9% of the issued and outstanding common stock of the Corporation. Dow has agreed that it will pay to Univar $350,000 per year for each of the three years ending May 12, 1997, in the event Univar does not elect to put the Series A Convertible Preferred Stock to Dow, or in the event Dow does not call the Series A Convertible Preferred Stock.

Peso Devaluation

WHITMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Event

In December, 1994, the Mexican peso was permitted to float against the U.S. dollar and other currencies, and as a result, the peso has been devalued from 3.4 pesos/dollar as of November 30, 1994 (the date used for inclusion of Hussmann's Mexican operations in the consolidated financial statements of the Company) to approximately 5.4 pesos/dollar as of January 16, 1995. This devaluation of the peso is expected to reduce Whitman's shareholders' equity by less than $20 million and will be reflected in the consolidated financial statements for the first quarter of 1995.

In 1994, Hussmann's Mexican operations reported sales of approximately $100 million and operating income of approximately $20 million. While it is difficult to assess the effect on Hussmann's operating results for 1995, the devaluation of the peso may cause Hussmann-Mexico's competitive environment to improve, and may result in an incremental growth in revenues. It is not possible at this time to determine what effect the devaluation will have upon pricing or costs, but management believes the devaluation will not have a material adverse effect upon the Company's 1995 operating results.

RELATED PARTY TRANSACTIONS

Statement of Financial Accounting Standards No. 57 specifies the nature of information which should be disclosed in financial statements about related party transactions. In 1994, 158 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Company and Investees

ACME METALS INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments in Associated Companies:

The Company has a 31.7 percent interest in an iron ore mining venture. In 1994, 1993 and 1992, the Company made iron ore purchases of $20.7 million, $18.3 million, and $21.7 million, respectively from the venture. At December 25, 1994, $5.6 million was owed to the venture for iron ore purchases; amounts owed to the venture for such ore purchases were $4.2 million at December 26, 1993.

The Company has a 37 percent interest in Olga Coal Company. In 1987, Olga Coal Company filed for protection under Chapter 11 of the U.S. Bankruptcy Act and the coal mining operation was idled. The coal mining investment is carried at no value in the Consolidated Balance Sheets.

DIBRELL BROTHERS, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Investee Companies, Unconsolidated Subsidiaries and Related Parties

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

	1994	1993	1992
Trade receivables	$2,495,000	$1,018,000	$1,572,000
Advances on purchases of tobacco	24,964,000	66,068,000	34,130,000
Notes receivable	10,425,000	3,496,000	—
Accounts payable: Trade	1,232,000	1,301,000	—
Other income: Interest	899,000	322,000	288,000
Purchases of tobacco	63,189,000	90,206,000	115,814,000

PHILLIPS PETROLEUM COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3 (In Part): Investments and Long-Term Receivables

Sweeny Olefins Limited Partnership (SOLP)

At December 31, 1994, the company's 50 percent interest in SOLP, which owns and operates a 1.5 billion-pound-per-year ethylene plant located adjacent to the company's Sweeny, Texas, refinery, was carried at a net investment of $65 million. During construction of this facility, the company made advances to the partnership under a subordinated loan agreement (SLA) to fund certain costs related to completing the project. In 1993 and 1992, the company was required to make advances of $1 million and $19 million, respectively. No advances were required during 1994.

During the fourth quarter of 1992, the company sold participating interests in the SLA to a syndicate of banks for $211 million under a participation agreement. The sale of this receivable is subject to recourse, in that the company has a contingent obligation to pay the amounts due the participating banks if SOLP fails to pay. It is not economically practicable to estimate the fair value of the company's obligations to SOLP or to the participating banks. The balance of the subordinated loan at December 31, 1994, was $195 million.

SOLP has agreements with the company under which Phillips will provide specified quantities of feedstocks, which SOLP is committed to take, purchase specified quantities of finished products, and provide plant operating and marketing services. In 1994, 1993 and 1992, respectively, SOLP purchased $186 million, $205 million and $210 million in feedstocks from Phillips and sold $91 million, $114 million and $125 million of finished products to the company. SOLP made payments to Phillips for plant operating and marketing services of $20 million, $20 million and $19 million in 1994, 1993 and 1992, respectively. Receivables from and payables to SOLP were $20 million and $9 million at December 31, 1994, and $17 million and $11 million at December 31, 1993, respectively.

Transactions Between Company and Major Stockholders

SERVICE CORPORATION INTERNATIONAL (DEC)

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

Related Party Transactions

Subsidiaries of J.P. Morgan & Co. Incorporated ("Morgan") currently beneficially own more than 10% of the Company's common stock. Morgan and the Company have entered into (and in certain instances, unwound) various foreign currency and/or interest rate swap agreements during 1994 and 1993. Additionally, Morgan participated as lead underwriter on the December 1994 public offerings of common stock, 8.375% notes and the convertible preferred shares of a subsidiary. In the 1994 acquisition of one of the United Kingdom acquisitions, Morgan acted as an advisor and also provided a loan used by the Company (repaid in 1995) in the acquisitions of both United Kingdom acquisitions. For the year ended December 31, 1994, Morgan received $10,747 in fees from the Company. During the year ended December 31, 1993 Morgan paid the Company a net $2,551 primarily relating to payments received to unwind certain interest rate swap agreements. Morgan neither received nor paid any fees to the Company during the year ended December 31, 1992.

Transactions Between Company and Officers/Directors

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Related Party Transactions:

In 1989, the Company sold its Aircraft Braking Systems and Engineered Fabrics divisions to K&F Industries, Inc. ("K&F"), of which the Chairman of Loral owns 35% of the capital stock and certain executive officers of Loral own rights to purchase 4% of the capital stock. In connection with the sale, K&F issued to the Company a $30,000,000 14¾% paid-in-kind Subordinated Convertible Debenture due 2004 (the "Debenture") convertible into 15% of the common equity of K&F. In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 81, the value of the Debenture has not been recognized by the Company. Because the Debenture is not publicly traded its fair value is not readily determinable. However, the Company believes that the Debenture has a fair value less than the publicly traded K&F subordinated debentures, which have rights superior to the Debenture and pay interest currently, and are trading at approximately 92% of face value.

The Company and K&F have agreements covering various real property occupancy arrangements and agreements under which the Company and K&F provide certain services, such as benefits administration, treasury, accounting and legal services to each other. The charges for these services, as agreed to by the Company and K&F, are based upon the actual cost incurred in providing the services without a profit. These transactions between the Company and K&F were not significant. Sales to K&F were $6,785,000, $4,796,000 and $8,828,000 in 1994, 1993 and 1992, respectively.

TYSON FOODS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Transactions With Related Parties

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 $6.8 million in 1994, $6.4 million in 1993 and $5.7 million in 1992. Other facilities, including a cold storage distribution facility, are also leased from other officers and directors and the Company's profit sharing plan for rentals totaling $6.7 million in 1994, $6.2 million in 1993 and $6.1 million in 1992. The Company sold office facilities to the profit sharing plan for a cost of $5.1 million in 1992.

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 $11.4 million in 1994, $11.3 million in 1993 and $8.5 million in 1992.

WOOLWORTH CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Related-Party Transactions

The company has had transactions in the normal course of business with various other corporations, certain of whose directors or officers are also directors of the company.

The company purchases banking and trustee services from, and leases retail space to, The Bank of New York, of which the chairman and chief executive officer is a director of Woolworth. A director of Woolworth is also a director of The Bank of New York. Fees paid to The Bank of New York were approximately $1,004,000 in 1994, $820,000 in 1993 and $855,000 in 1992. Rental income received from The Bank of New York was approximately $528,000 in 1994, $460,000 in 1993 and $430,000 in 1992.

The company purchased various advertising and media services from certain subsidiaries of Interpublic Group of Companies, of which the chairman and chief executive officer is a director of Woolworth. Fees paid in 1994 were approximately $336,500.

Other Related Party Transactions

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Related Party Transactions—

One of the Company's directors is affiliated with Otto Holding International B.V. ("OHI") which owns the other 50% interest of Otto Waste Services. The Company, primarily through its 50% ownership of Otto Waste Services, is engaged in various transactions through the ordinary course of business with OHI, its subsidiaries and unconsolidated affiliates ("OHI Group"). The OHI Group leased containers and equipment under operating leases and provided certain administrative services to Otto Waste Services during the current fiscal year. Charges for these services were approximately $3.5 million for the period since Otto Waste Services was acquired in February 1994. The Company, including Otto Waste Services, also purchased or entered into capital leases for approximately $25.4 million of containers from the OHI Group during fiscal year 1994. Included in the balance sheet at September 30, 1994, are the following amounts relating to transactions with the OHI Group (in thousands):

Accounts receivable—other	$5,227,000
Accounts payable	3,388,000
Capital lease obligations	31,515,000
Notes payable, interest payable at 8%	11,569,000

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 14. Transactions with Affiliated Companies

Mitsubishi Heavy Industries, Ltd. ("Mitsubishi") owns a 20% interest in Beloit Corporation. In connection with this ownership interest, Mitsubishi entered into certain agreements that provide it with the right to designate one of Beloit's five directors. The agreements also place certain restrictions on the transfer of Beloit stock. 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.

Transactions with Mitsubishi for the years ending October 31 were as follows:

(in thousands)	1994	1993	1992
Sales	$487	$152	$88
Purchases	191	5,352	897
Receivables	2,335	1,712	920
License Income	3,931	3,794	4,800

The Company believes that its transactions with Mitsubishi were competitive with alternate sources of supply for each party involved.

In 1990, the Company entered into an agreement to acquire up to a 20% interest in Measurex. As part of the agreement, Measurex elected a nominee selected by the Company to its Board of Directors. There were no significant transactions with Measurex in fiscal 1994, 1993 or 1992. On December 29, 1994, Measurex bought back 2,026,900 shares of its stock reducing the Company's interest to 10%.

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

	1994	1993	1992	1991
Balance Sheet	562	560	559	559
Statement of Financial Position	33	35	36	36
Statement of Financial Condition	5	5	5	5
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 (17 companies in 1994) or a balance sheet classified as to industrial operations but showing assets and liabilities of nonhomogeneous operations as segregated amounts (6 companies in 1994). Prior to the effective date of *SFAS No. 94*, the survey companies, with rare exception, presented classified balance sheets.

Examples of balance sheet formats and a reclassification disclosure follow.

TABLE 2-2: BALANCE SHEET FORMAT

	1994	1993	1992	1991
Report form	439	432	421	412
Account form	161	167	178	187
Financial position form	—	1	1	1
Total Companies	**600**	**600**	**600**	**600**

Unclassified Balance Sheet

HALLIBURTON COMPANY

December 31 *Millions of dollars and shares*	1994	1993
Assets	$ 428.1	$48.8
Cash and equivalents		
Investments:		
Available-for-sale	219.0	182.5
Held-to-maturity	435.8	474.0
Total investments	654.8	656.5
Receivables:		
Notes and accounts receivable (less allowance for bad debts of $34.8 and $32.7)	1,273.1	1,304.2
Unbilled work on uncompleted contracts	173.4	180.4
Refundable Federal income taxes	13.4	71.5
Total receivables	1,459.9	1,556.1
Inventories	268.9	369.0
Reinsurance recoverables (less allowance for losses of $11.9 and $11.5)	671.1	653.5
Property, plant and equipment:		
At cost	3,418.2	3,675.9
Less accumulated depreciation	2,341.4	2,523.1
Net property, plant and equipment	1,076.8	1,152.8
Equity in and advances to related companies	94.6	86.0
Excess of cost over net assets acquired (net of accumulated amortization of $39.6 and $75.9)	213.4	219.2
Deferred income taxes	120.5	199.5
Assets held for sale	26.3	219.7
Other assets	253.9	242.0
Total assets	$5,268.3	$5,403.1
Liabilities and Shareholders' Equity		
Accounts payable	$ 303.5	$ 297.4
Accrued employee compensation and benefits	406.3	437.0
Advance billings on uncompleted contracts	163.3	153.9
Income taxes payable	25.8	60.1
Short-term notes payable	30.7	92.0
Unearned insurance premiums	51.2	53.5
Reserves for insurance losses and claims	1,126.4	1,131.7
Long-term debt	643.1	623.9
Other liabilities	570.6	662.4
Minority interest in consolidated subsidiaries	5.2	3.5
Total liabilities	3,326.1	3,515.4
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $2.50 per share—authorized 200.0 shares, issued 119.1 and 119.2 shares	297.7	298.0
Paid-in capital in excess of par value	201.7	199.8
Cumulative translation adjustment	(23.1)	(24.8)
Net unrealized gains (losses) on investments	(7.6)	9.3
Retained earnings	1,637.3	1,573.5
	2,106.0	2,055.8
Less 5.0 and 5.1 shares treasury stock, at cost	163.8	168.1
Total shareholders' equity	1,942.2	1,887.7
Total liabilities and shareholders' equity	$5,268.3	$5,403.1

Unclassified Nonhomogeneous Operations

HILLENBRAND INDUSTRIES, INC.

(Dollars in thousands)	1994	1993
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 120,359	$ 210,157
Trade accounts receivable, less allowances of $13,982 in 1994 and $11,271 in 1993	299,598	253,818
Inventories	104,229	90,900
Other current assets	21,939	19,151
Total current assets	546,125	574,026
Equipment Leased to Others	222,470	229,934
Less accumulated depreciation	146,348	171,529
Equipment leased to others, net	76,122	58,405
Property	613,756	557,297
Less accumulated depreciation	331,286	288,914
Property, net	282,470	268,383
Other Assets:		
Intangible assets at amortized cost:		
Patents and trademarks	40,036	51,155
Excess of cost over net asset values of acquired companies	138,038	82,547
Other	10,194	4,682
Deferred charges and other assets	44,254	19,116
Total other assets	232,522	157,500
Insurance Assets		
Investments	1,198,539	934,029
Deferred acquisition costs	281,189	217,803
Deferred income taxes	43,051	33,649
Other	33,799	26,952
Total Insurance Assets	1,556,578	1,212,433
Total Assets	$2,693,817	$2,270,747

	1994	1993
LIABILITIES		
Current Liabilities:		
Short-term debt	$ 25,206	$ 12,708
Current portion of long-term debt	1,805	77,318
Trade accounts payable	52,427	47,768
Income taxes		
Payable	7,872	25,664
Deferred	(20,336)	(20,641)
Accrued compensation	60,874	61,814
Other liabilities	111,005	85,397
Total current liabilities	238,853	290,028
Long-Term Debt	208,729	107,887
Other Long-Term Liabilities	78,045	72,780
Deferred Income Taxes	19,470	20,633
Insurance Liabilities		
Benefit reserves	1,059,984	827,815
Unearned revenues	380,593	292,586
General liabilities	14,652	19,086
Total Insurance Liabilities	1,455,229	1,139,487
Total Liabilities	2,000,326	1,630,815
SHAREHOLDERS' EQUITY		
Common stock—without par value: Authorized—199,000,000 shares Issued—80,323,912 shares in 1994 and 1993	4,442	4,442
Additional paid-in capital	11,587	3,900
Retained earnings	828,744	779,923
Foreign currency translation adjustment	10,478	(1,643)
Treasury stock, at cost: 1994—9,401,065 shares: 1993—9,061,391 shares	(161,760)	(146,690)
Total Shareholders' Equity	693,491	639,932
Total Liabilities and Shareholders' Equity	$2,693,817	$2,270,747

Reclassification

THE BFGOODRICH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Long-Lived Assets: Property, plant and equipment, including amounts recorded under capital leases, are recorded at cost with depreciation and amortization principally computed by the straight-line method. Property is generally depreciated on accelerated methods for income tax purposes. Repairs and maintenance costs are expensed as incurred.

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired businesses and is being amortized by the straight-line method, in most cases over forty years.

Identifiable intangible assets are recorded at cost, or when acquired as a part of a business combination, at estimated fair value. These assets include patents and other technology agreements, licenses and non-compete agreements. They are amortized using the straight-line method over estimated useful lives of five to twenty-five years.

Beginning in the first quarter of 1994, identifiable intangible assets have been reclassified from Other Assets to Goodwill and Identifiable Intangible Assets. For comparison purposes, a similar reclassification of $23.0 million was made to the 1993 balance sheet. In addition, amortization of Goodwill and Identifiable Intangible Assets has been combined with depreciation expense on the Statement of Cash Flows.

Impairment of long-lived assets is recognized when events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable. Measurement of the amount of impairment may be based on appraisal, market values of similar assets or estimated undiscounted future cash flows resulting from use and ultimate disposition of the asset.

CASH

Table 2-3 lists the balance sheet captions used by the survey companies to describe cash. As indicated in Table 2-3, the most frequently used caption is cash and cash equivalents. Examples of cash presentations and disclosures follow.

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1994	1993	1992	1991
Cash	68	84	94	96
Cash and cash equivalents	425	408	396	391
Cash and equivalents	45	43	43	34
Cash includes certificates of deposit or time deposits	10	9	9	10
Cash combined with marketable securities	50	53	56	66
No amount for cash	2	3	2	3
Total Companies	**600**	**600**	**600**	**600**

ACTION INDUSTRIES, INC. (JUN)

(In thousands)	1994	1993
Current Assets		
Cash and cash equivalents	$ 800	$ 730
Trade accounts receivable, less allowances of $1,134 and $1,578	8,862	16,913
Inventories	20,629	27,919
Other current assets	799	2,740
Total Current Assets	31,090	48,302

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: Cash equivalents are carried at cost, which approximates market. The Company considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

THE ALLEN GROUP INC. (DEC)

(amounts in thousands)	1994	1993
Current Assets:		
Cash and equivalents	$ 55,240	$ 11,173
Accounts receivable, less allowance for doubtful accounts 1994, $1,684,000; 1993, $1,270,000	63,117	54,721
Receivable from joint venture	857	242
Inventories	58,316	56,828
Prepaid expenses	661	1,021
Current portion of note receivable	—	6,579
Total current assets	178,191	130,564

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: The Company classifies as cash equivalents all highly liquid investments with maturities of three months or less. At December 31, 1994 and 1993, cash equivalents were composed primarily of investments in money market funds, bankers acceptances and Dutch auction, tax exempt securities which were afforded one of the two highest ratings by nationally recognized ratings firms.

Note 12 (In Part): Fair Values of Financial Instruments

Financial Accounting Standards Board ("FASB") Statements No. 107, "Disclosures about Fair Value of Financial Instruments," and No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," are part of a continuing process by the FASB to improve information regarding financial instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for such financial instruments as defined by the Statements:

Cash and Short-Term Investments: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

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The carrying amounts and fair values of the Company's financial instruments at December 31, 1994 and 1993 are as follows (amounts in thousands):

	Carrying Amount	Fair Value
1994		
Cash and cash equivalents	$55,240	$55,240
Investment securities:		
Non-current investment	4,344	4,344
Investment in joint venture	24,411	24,411
Other long-term debt	46,054	46,054
Off-balance sheet financial instruments:		
Letters of credit	6,938	6,938
1993		
Cash and cash equivalents	$11,173	$11,173
Investment securities:		
Non-current investment	4,344	4,344
Investment in joint venture	23,042	23,042
Other long-term debt	53,480	53,404
Off-balance sheet financial instruments:		
Interest rate Swaps	2,265	2,341
Letters of credit	7,385	7,385

AULT INCORPORATED (MAY)

	1994	1993
Current Assets		
Cash	$ 133,404	$ 78,002
Trade receivables, less allowance for doubtful accounts 1994 $131,000; 1993 $160,000	3,917,681	2,961,107
Inventories	4,495,234	4,426,818
Prepaid and other expenses	312,620	469,762
Total current assets	8,858,939	7,935,689

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Cash: 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.

AVON PRODUCTS, INC. (DEC)

In millions	1994	1993
Current assets		
Cash, including cash equivalents of $132.5 and $159.7	$214.8	$223.9
Accounts receivable (less allowance for doubtful accounts of $27.3 and $22.0)	373.7	306.0
Inventories	412.8	360.5
Prepaid expenses and other	149.0	135.9
Net assets of discontinued operations	—	18.8
Total current assets	1,150.3	1,045.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash and Equivalents—Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and consist of time deposits with a number of commercial banks with high credit ratings in the U.S. and abroad. In accordance with Avon's policy, the maximum amount invested in any one bank is limited. Avon does not believe it is exposed to any significant credit risk on cash and equivalents.

EASTMAN KODAK COMPANY (DEC)

(In millions)	1994	1993
Current Assets		
Cash and cash equivalents	$2,020	$1,635
Marketable securities	48	223
Receivables	3,064	2,817
Inventories	1,480	1,532
Deferred income tax charges	711	339
Other	360	203
Total current assets	7,683	6,749

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Cash Equivalents—All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. At December 31, 1994, included in "cash and cash equivalents" is a $1,550 million note received in connection with the sale of the household products business, which had a maturity of four days.

TERRA INDUSTRIES INC. (DEC)

(in thousands)	1994	1993
Cash and short-term investments	$158,384	$ 65,102
Accounts receivable, less allowance for doubtful accounts of $8,224 and $5,788	157,026	122,744
Inventories	332,952	244,995
Deferred tax asset–current	43,992	26,011
Other current assets	31,069	10,586
Total current assets	723,423	469,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and short-term investments:

The Corporation considers short-term investments with an original maturity of three months or less to be cash equivalents which are reflected at their approximate fair value.

13 (In Part): Financial Instruments and Concentrations of Credit Risk

The following table presents the carrying amounts and estimated fair values of the Corporation's financial instruments at December 31, 1994 and 1993. SFAS 107, "Disclosures about Fair Value of Financial Instruments," defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

	1994		1993	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and short-term investments	$158.4	$158.4	$65.1	$65.1
Receivables	157.0	157.0	122.8	122.8
Equity and other investments	14.2	16.6	2.2	4.0
Other assets	16.0	16.2	11.6	12.0
Financial Liabilities				
Long-term debt	(558.3)	(555.4)	(121.4)	(121.5)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and receivables: The carrying amounts approximate fair value because of the short maturity of those instruments.

VENTURIAN CORP. (DEC)

(Dollars in thousands)	1994	1993
Current assets		
Cash and cash equivalents, including securities purchased under agreements to resell of $500 in 1994 and $3,200 in 1993	$825	$4,057
Accounts receivable, less allowance for doubtful accounts of $389 in 1994 and $143 in 1993	6,191	7,692
Inventories	5,830	5,175
Restricted cash	2,103	2,671
Rental real estate held for sale	2,678	—
Prepaid expenses	284	367
Total current assets	17,911	19,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Significant Accounting Policies

Cash and Cash Equivalents—The company considers its investments with an original maturity of three months or less to be cash equivalents. The company invests excess funds in reverse repurchase agreements for U.S. government securities. At December 31, 1994 and 1993, respectively, the company had purchased $500,000 and $3,200,000 of U.S. government securities under agreements to resell. Generally, the maturity date of the company's reverse repurchase agreements is the next day of business. Due to the short-term nature of the agreements, the company does not take possession of the securities, which are instead held at the company's principal bank from which it purchases the securities. The carrying value of the agreements approximates fair market value because of the short maturity of the investments and the company believes that it is not exposed to any significant risk on its investments in reverse repurchase agreements. Exclusive of the reverse repurchase agreement, substantially all the cash and cash equivalents were held at one financial institution in Minnesota at December 31, 1994 and 1993.

MARKETABLE SECURITIES

Except for debt securities classified as "held-to-maturity securities", which are to be reported at amortized cost, *Statement of Financial Accounting Standards No. 115* requires that investments in debt and equity securities be reported at fair value. The requirements of *SFAS No. 115*, which supersede those of *SFAS No. 12*, are effective for fiscal years beginning after December 15, 1993. *SFAS No. 12* required that investments in marketable equity securities (as defined in the Statement) be reported at the lower of aggregate cost or market value.

SFAS No. 105 defines investments in equity and debt securities as financial instruments. *SFAS No. 107* requires that the fair value of such financial instruments be disclosed. *SFAS No. 107* currently applies only to entities having total assets of $150 million or more. Effective for fiscal years ending after December 15, 1995, *SFAS No. 107* will also apply to companies having total assets of less than $150 million. Of the 150 survey companies disclosing the fair value of investments in equity and debt securities classified as current assets, 91 companies stated fair value approximated the carrying amount and 59 companies stated that fair value was based on market quotes.

Table 2-4 lists the balance sheet carrying bases for investments in marketable securities presented as current assets. Examples of presentations for such investments follow.

TABLE 2-4: MARKETABLE SECURITIES—BASES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Cost				
Approximates market	84	132	138	156
No reference to market	13	17	19	7
Market value disclosed	11	15	9	5
Lower of cost or market	16	33	35	30
Market/fair value	81	15	3	—

Cost

ADVANCED MICRO DEVICES, INC. (DEC)

(Thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$121,343	$ 60,423
Short-term investments	256,511	427,775
Total cash, cash equivalents, and short-term investments	377,854	488,198

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Investments. Effective December 27, 1993, the company adopted the Statement of Financial Accounting Standards No. 115 (SFAS No. 115), "Accounting for Certain Instruments in Debt and Equity Securities." Accordingly, the company has classified it's marketable debt and equity securities into held-to-maturity and available-for-sale categories. Securities classified as held-to-maturity are reported at amortized cost and available-for-sale securities are reported at fair market value with unrealized gains and losses included in Stockholders' Equity. Realized gains and losses and declines in value of securities judged to be other-than-temporary are included in interest income and other, net. Interest and dividends on all securities are included in interest income and other, net.

Investments with maturities between three and twelve months are considered short-term investments. Short-term investments consist of debt securities such as commercial paper, time deposits, certificates of deposit, bankers' acceptances, and marketable direct obligations of the United States Treasury.

2 (In Part): Financial Instruments

Securities held-to-maturity and available-for-sale.

The following is a summary of held-to-maturity securities as of December 25, 1994.

(Thousands)	Cost
Certificates of deposit	$ 4,997
Security repurchase agreements	50,800
Commercial paper	24,760
Money market preferred stock	36,700
Other debt securities	1,672
Cash equivalents	118,929
Cash	2,414
Total cash and cash equivalents	$121,343
Certificates of deposit	$ 95,342
Corporate notes	101,850
Treasury notes	44,877
Commercial paper	14,442
Total short-term investments	$256,511

Since held-to-maturity securities are short-term in nature, changes in market interest rates would not have a significant impact on fair value of these securities. These securities are carried at amortized cost which approximate fair value.

LAFARGE CORPORATION (DEC)

(in thousands)	1994	1993
Cash and cash equivalents	$ 193,057	$ 109,294
Short-term investments	50,500	—
Receivables, net	257,093	253,207
Inventories	175,433	186,082
Other current assets	31,052	36,661
Total current assets	707,135	585,244

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting and Financial Reporting Policies (In Part)

Short-Term Investments

Short-term investments consist primarily of commercial paper with original maturities at date of purchase beyond three months and less than 12 months. Such short-term investments are carried at cost, which approximates fair value, due to the short period of time to maturity.

NATIONAL EDUCATION CORPORATION (DEC)

(dollars in thousands)	1994	1993
Current Assets		
Cash and cash equivalents	$ 17,297	$ 38,546
Investment securities:		
Held-to-maturity and available-for-sale securities	10,833	—
At lower of cost or market (market value of $0 and $17,964)	—	16,300
Receivables, net of allowance of $2,787 and $10,437	45,186	54,012
Inventories and supplies	23,827	25,594
Net assets held for disposition	25,867	—
Other current assets	21,229	22,392
Total current assets	144,239	156,844

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investment Securities. Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (FAS 115), which resulted in a change in the accounting for debt and equity securities held for investment purposes. Prior to January 1, 1994, the Company carried debt and equity securities at the lower of aggregate cost or market value. In accordance with FAS 115, the Company's debt and equity securities are now considered as either held-to-maturity or available-for-sale. Held-to-maturity securities represent those securities that the Company has both the positive intent and ability to hold to maturity and are carried at amortized cost. Available-for-sale securities represent those securities that do not meet the classification of held-to-maturity, are not actively traded and are carried at fair value. Unrealized gains and losses on these securities are excluded from earnings and are reported as a separate component of stockholders' equity, net of applicable taxes, until realized. Since the adoption of this standard, the Company recorded decreases in available-for-sale securities of $36,000 and a related deferred tax asset of $15,000 resulting in a net decrease of $21,000 in stockholders' equity.

Note 7 — Investment Securites

The amortized cost and estimated fair value of the investment securities are as follows:

	December 31, 1994			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity				
Banking certificates	$ 3,236	$ —	$ —	$ 3,236
Tax exempt municipal bond funds	12,700	—	—	12,700
Total held-to-maturity	15,936	—	—	15,936
Available-for-sale				
Corporate income funds	1,170	6	—	1,176
Preferred stock	1,262	52	(93)	1,221
Total available-for-sale	2,432	58	(93)	2,397
	18,368	58	(93)	18,333
Less cash equivalents	(7,500)	—	—	(7,500)
Total investment securities	$ 10,868	$ 58	$ (93)	$ 10,833

Investments in debt securities classified as held-to-maturity at December 31, 1994, have various maturity dates which do not exceed one year.

	December 31, 1993			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity				
Tax exempt municipal bond funds	$ 20,200	$—	$—	$ 20,200
Available-for-sale				
Corporate income funds	6,678	503	(123)	7,058
Preferred stock	3,797	581	(54)	4,324
Other	325	757	—	1,082
Total available-for-sale	10,800	1,841	(177)	12,464
	31,000	1,841	(177)	32,664
Less cash equivalents	(14,700)	—	—	(14,700)
Total investment securities	$ 16,300	$ 1,841	$ (177)	$ 17,964

Under the specific identification method, realized gains and losses on the available-for-sale investment securities are as follows:

	Year Ended December 31,		
(dollars in thousands)	1994	1993	1992
Realized gains	$ 1,616	$ 135	$ 151
Realized losses	387	226	1

SUN MICROSYSTEMS, INC. (JUN)

(In thousands)	1994	1993
Current assets:		
Cash and cash equivalents	$ 433,937	$ 828,839
Short-term investments	448,879	309,873
Accounts receivable, net of allowances of $79,845 in 1994 and $51,462 in 1993	853,031	627,174
Inventories	294,948	256,275
Deferred tax assets	103,428	121,874
Other current assets	170,870	128,311
Total current assets	2,305,093	2,272,346

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.

Short-term investments consist primarily of auction market preferred stock, commercial paper and tax-exempt securities with original maturities beyond three months and less than twelve months.

Presently, the Company carries all cash equivalents and short-term investments at cost, which approximates fair value. Gains and losses are included in investment income in the period they are realized. The cost of all securities sold is based on the specific identification method.

In May 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115 (FAS 115) "Accounting for Certain Investments in Debt and Equity Securities," effective for fiscal years beginning after December 15, 1993. Under FAS 115, debt securities that the Company has both the positive intent and ability to hold to maturity are carried at amortized cost. Debt securities that the Company does not have the positive intent and ability to hold to maturity and all marketable equity securities are classified as either available-for-sale or trading and are carried at fair value. Unrealized holding gains and losses on securities classified as available-for-sale are carried as a separate component of stockholders' equity. Unrealized holding gains and losses on securities classified as trading are reported in earnings.

The Company will begin application of FAS 115 in the first quarter of fiscal 1995. Application of the new rules will result in an estimated decrease of approximately $1.2 million to stockholders' equity as of July 1, 1994, representing the recognition in stockholders' equity of unrealized depreciation, net of tax effect, for the Company's investments in debt and equity securities determined to be available-for-sale, currently carried at cost.

Fair Value

AMP INCORPORATED (DEC)

(dollars in thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$ 239,937	$ 257,678
Securities available for sale	155,458	129,817
Receivables	838,389	625,180
Inventories	581,126	459,302
Deferred income taxes	115,098	88,483
Other current assets	81,815	83,898
Total current assets	2,011,823	1,644,358

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Investments—On January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting For Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). This standard requires that certain debt and equity securities be adjusted to market value at the end of each accounting period. Unrealized market value gains and losses are charged to earnings if the securities are traded for short-term profit. Otherwise, such unrealized gains and losses are charged or credited to a separate component of shareholders' equity. SFAS No. 115 was adopted prospectively, and had no impact on earnings. Prior to the adoption of this statement, such securities were carried at the lower of cost or market value.

Management determines the proper classifications of investments in obligations with fixed maturities and marketable equity securities at the time of purchase and reevaluates such designations as of each balance sheet date. At December 31, 1994, all securities covered by SFAS No. 115 were designated as available for sale. Accordingly, these securities are stated at fair value, with unrealized gains and losses reported in a separate component of shareholders' equity. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the Consolidated Statements of Income.

4. Securities Available For Sale

Securities available for sale at December 31, 1994, are summarized as follows:

(dollars in thousands)	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Market Value
U.S. Government Securities—				
Maturing in 1 year or less	$ 1,987	$ —	$ —	$ 1,987
Maturing between 1 and 5 years	54,724	—	1,777	52,947
State and Municipal Securities—				
Maturing in 1 year or less	19,090	—	1	19,089
Maturing between 1 and 5 years	8,475	—	199	8,276
Commercial Paper	12,358	—	329	12,029
Common Stock	21,595	39,535	—	61,130
	$118,229	$39,535	$2,306	$155,458

Differences between cost and market of $37,229,000 (less deferred taxes of $15,644,000) were credited to a separate component of shareholders' equity called "Net Unrealized Investment Gains."

Proceeds from sales of securities available for sale were approximately $249,098,000 in 1994. Gross gains and gross losses on such sales were not significant.

At December 31, 1994, approximately $42,000,000 of securities available for sale with original maturities of 91 days or less were included in cash and cash equivalents. The market value of these securities approximate cost.

ARDEN GROUP, INC. (DEC)

(In thousands)	1994	1993
Current assets:		
Cash	$19,241	$39,526
Marketable securities	19,700	23,038
Notes and accounts receivable, net	8,580	9,007
Inventories	10,665	10,902
Other current assets	2,181	1,040
Total current assets	60,367	83,513

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Accounting Policies:

Marketable Securities

Marketable securities consist of fixed-income securities having maturities of up to three years, preferred stock, convertible preferred stock, common stock, mortgage backed government securities and collateralized mortgage obligations. Marketable securities are stated at market value. By policy, the Company invests primarily in high-grade marketable securities. All marketable securities are defined as trading securities under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115) and unrealized holding gains and losses are reflected in earnings.

Market value is determined by the most recently traded price of the security at the balance sheet date. Net realized gains or losses are determined on the specific identification cost method.

Prior to December 31, 1994, marketable securities were carried at cost, which approximated market value.

2. Marketable Securities:

As of December 31, 1994:

(in thousands)	Cost	Unrealized Loss	Balance Sheet Amount (Market Value)
Trading Securities:			
Fixed income securities	$13,050	($375)	$12,675
Equity securities	8,218	(1,409)	6,809
Mortgage-backed government securities	149		149
Collateralized mortgage obligations	69	(2)	67
Total	$21,486	($1,786)	$19,700

Investments held at January 1, 1994 were $23,038,000, and were stated at cost, which approximated market value.

CURTISS-WRIGHT CORPORATION (DEC)

(In thousands)	1994	1993
Current assets:		
Cash and cash equivalents	$ 4,245	$ 20,349
Short-term investments	72,200	54,811
Receivables, net	32,467	27,333
Income tax refundable		255
Deferred tax asset	8,204	8,882
Inventories	24,889	22,455
Other current assets	2,338	2,142
Total current assets	144,343	136,227

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

G. Financial Instruments

Financial Instruments: The financial instruments with which the Corporation is involved are primarily of a traditional nature. The Corporation's cash equivalents are invested in primarily high quality money market mutual funds. Short-term investments consist primarily of money market preferred stocks, investment grade debt instruments and common equity securities. The Corporation has limited participation in derivative trading securities as defined under Statement of Financial Accounting Standards No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," consisting of the forward currency exchange contracts and commitments to purchase stocks, discussed below.

The Corporation had one forward currency exchange contract outstanding at December 31, 1994 and 1993 to hedge its exposure to foreign currency fluctuations on short-term Canadian securities. The carrying value of the asset and related forward contract were $3,100,000 and $3,452,000, respectively, at December 31, 1994 and $3,249,000 and $3,424,000, respectively at December 31, 1993. While forward exchange contracts affect the Corporation's results of operations, they do so only in connection with the underlying transaction. As a result, the Corporation is not subject to material risk from exchange rate movements, because gains and losses on these contracts generally offset losses and gains on the transaction being hedged.

The Corporation has made commitments to purchase common stock of utility companies. At December 31, 1994, the Corporation had outstanding commitments to purchase 382,000 shares of common stocks having an aggregate cost of $9,192,000 and an aggregate market value of $9,220,000. Correspondingly, the Corporation held investments in 387,000 shares of other common stocks of utility companies having an aggregate cost of $9,580,000 and an aggregate market value of $9,267,000.

Fair Value of Financial Instruments: The carrying value of the Corporation's cash and cash equivalents approximates fair value because of the short maturity of those instruments. The fair market value of short-term investments is determined based on quoted market prices for those investments. Additional information concerning the market and carrying value of short-term investments appears in Note 2. The carrying value of the Corporation's long-term debt is considered to approximate its fair market value.

2. Short-Term Investments.

Effective January 1, 1994, the Corporation began accounting for its short-term investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). This statement requires that the Corporation's investments in equity securities be classified as "trading securities" or "available for sale securities." The Corporation's short-term investments are comprised of marketable equity and non-equity securities, all classified as trading securities at December 31, 1994, under SFAS No. 115 and accordingly, net unrealized holding gains and losses for trading securities were included in net earnings for 1994. Net realized gains and losses are determined on the specific identification cost basis.

In accordance with SFAS No. 115, short-term investments at December 31, 1994 are carried at fair value, which is based on quoted market prices for these investments. The adoption of SFAS No. 115 did not have a material effect on the Corporation's results of operations or financial condition. Short-term investments at December 31, 1993 were carried at the aggregate of lower of cost or market value.

	1994		1993	
(In thousands)	Cost	Fair Value	Cost	Market
Marketable securities	$72,750	$72,200	$54,811	$54,869

Investment Income consists of:	1994	1993	1992
Net realized gains on the sale of marketable securities	$ 1,563	$ 772	$ 2,112
Interest and dividend income, net	2,207	2,011	206
Net unrealized holding losses	(550)		
Total investment income, net	3,040	2,783	2,318
Interest on tax refunds			1,973
Interest, dividends and gains (losses) on short-term investments, net	$ 3,040	$ 2,783	$ 4,291

HUMANA INC. (DEC)

Dollars in millions	1994	1993
Current assets:		
Cash and cash equivalents	$272	$372
Marketable securities	609	427
Premiums receivable, less allowance for doubtful accounts of $20 in 1994 and $17 in 1993	74	37
Deferred income taxes	45	129
Other	38	37
Total current assets	1,038	1,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Marketable Securities

The Company adopted Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), "Accounting for Certain Investments in Debt and Equity Securities" effective December 31, 1993.

At December 31, 1994 and 1993, marketable equity and debt securities have been categorized as available for sale and, as a result, are stated at fair value based generally on quoted market prices. Marketable equity and debt securities being held for the Company's future acquisition, capital spending and professional liability requirements are classified as long-term assets. Other marketable securities available for current operations are classified as current assets. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of common stockholders' equity until realized.

4. Investments

Marketable securities classified as current assets at December 31, 1994 and 1993, include the following:

	1994			
Dollars in millions	Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Gross Fair Value
U.S. Government securities	$ 35		$ (2)	$ 33
Tax exempt municipal bonds	472	$2	(17)	457
Marketable equity securities	52		(5)	47
Other	76		(4)	72
	$635	$2	$(28)	$609

	1993			
Dollars in millions	Gross Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government securities	$ 20	$1		$ 21
Tax exempt municipal bonds	391	4	$(1)	394
Other	12			12
	$423	$5	$(1)	$427

Management does not anticipate realization of the above gross unrealized losses in the upcoming year due to the anticipated availability of cash flows from operations to fund current operating requirements.

Marketable securities classified as long-term assets at December 31, 1994 and 1993, include the following:

	1994			
Dollars in millions	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government securities	$ 5			$ 5
Tax exempt municipal bonds	252		$ (9)	243
Marketable equity securities	64		(1)	63
Other	11			11
	$332		$(10)	$322

	1993			
Dollars in millions	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government securities	$ 29			$ 29
Tax exempt municipal bonds	158	$1	$(1)	158
Marketable equity securities	103	3	(1)	105
Other	42	1		43
	$332	$5	$(2)	$335

The contractual maturities of debt securities for sale at December 31, 1994, regardless of their balance sheet classification, follow:

Dollars in millions	Amortized Cost	Fair Value
Due within one year	$143	$143
Due after one year through five years	297	289
Due after five years through ten years	126	119
Due after ten years	36	35
Not due at a single maturity date	249	235
	$851	$821

Gross realized gains and gross realized losses from the sale of securities classified as available for sale were not material for the years ended December 31, 1994 and 1993. For the purpose of determining gross realized gains and losses, the cost of securities sold is based upon specific identification.

THE LTV CORPORATION (DEC)

(in millions)	1994	1993
Current Assets		
Cash and cash equivalents	$335.4	$ 406.3
Marketable securities	357.5	—
	692.9	406.3
Receivables, less allowance for doubtful accounts of $22.4 in 1994 and $21.4 in 1993	518.4	479.3
Inventories:		
Products	573.5	565.9
Materials, purchased parts and supplies	247.2	265.3
Total inventories	820.7	831.2
Prepaid expenses, deposits and other	35.8	566.3
Total current assets	2,067.8	2,283.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Marketable Securities—The Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994. Adoption of this standard did not materially impact the Company's consolidated financial statements.

The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. Marketable securities have been classified as available-for-sale and are carried at fair value, with unrealized holding gains and losses reported as a separate component of shareholders' equity.

The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization, interest income, realized gains and losses and declines in value judged to be other than temporary are included in interest and other income. The cost of securities sold is based on specific identification.

Marketable Securities

The following is a summary of marketable securities at December 31, 1994 (in millions):

	Cost	Unrealized Holding Losses	Fair Value
U.S. Government obligations	$158.9	$(1.0)	$157.9
Corporate obligations	189.7	(0.2)	189.5
Other	10.1	—	10.1
	$358.7	$(1.2)	$357.5

The gross realized gains and losses on sales of marketable securities each totaled approximately $0.1 million for the year ended December 31, 1994. Gross unrealized holding gains at December 31, 1994 totaled under $0.1 million.

The cost and estimated fair value of marketable securities by contractual maturity at December 31, 1994 are as follows (in millions):

	Cost	Fair Value
Due in one year or less	$353.7	$352.6
Due after one year through two years	5.0	4.9
	$358.7	$357.5

OGDEN CORPORATION (DEC)

	1994	1993
Current Assets:		
Cash and cash equivalents	$117,359,000	$109,097,000
Marketable securities available for sale	86,676,000	94,247,000
Restricted funds held in trust	104,700,000	132,273,000
Receivables (less allowances: 1994, $32,783,000 and 1993, $25,547,000)	585,959,000	506,727,000
Deferred income taxes	26,451,000	28,219,000
Other	74,752,000	61,995,000
Total current assets	995,897,000	932,558,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Marketable Securities: Ogden adopted Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities," at January 1, 1994. In accordance with SFAS 115, prior years' financial statements have not been restated to reflect the change in accounting method. Under this Statement, the Corporation's marketable securities have been classified as available for sale and are recorded at current market value with an offsetting adjustment to Shareholders' Equity. The adoption of this Statement did not have a significant effect on the Corporation's consolidated financial position. At December 31, 1993, marketable securities were carried at the lower cost or market. Net unrealized losses on noncurrent marketable equity securities were charged to Shareholders' Equity (see Note 2).

2. Investments in Marketable Securities Available for Sale

Ogden adopted SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," at January 1, 1994, and has classified its marketable securities as available for sale and recorded them at current market value with an offsetting adjustment to Shareholders' Equity. In accordance with SFAS 115, prior years' financial statements have not been restated to reflect this change in accounting. At December 31, 1993, marketable securities were carried at the lower of cost or market. Net unrealized losses on noncurrent marketable equity securities were charged to Shareholders' Equity. At December 31, 1993, noncurrent marketable securities having a cost of $5,549,000 and a market value of $4,846,000 resulted in an unrealized loss of $703,000, which was offset by deferred income taxes of $276,000. The net valuation allowance of $427,000 was charged to Shareholders' Equity.

At December 31, 1994 and 1993, marketable equity and debt securities available for current operations are classified in the balance sheet as current assets while securities held for noncurrent uses such as unqualified pension liabilities and a deferred compensation plan are classified as long-term assets.

Marketable securities at December 31, 1994 (expressed in thousands of dollars), include the following:

	Market Value	Cost
Classified as Current Assets:		
United States government securities	$ 1,567	$ 1,736
Tax-exempt municipal bonds	52,158	53,295
Mortgage-backed securities	31,146	31,669
Other securities	1,805	1,954
Total current	86,676	88,654
Classified as Noncurrent Assets:		
United States government securities	236	236
Corporate debt securities	12,174	14,122
Total noncurrent	12,410	14,358
Total	$99,086	$103,012

Unrealized holding losses at December 31, 1994, amounted to $3,926,000. Deferred tax benefits on these losses amounted to $1,782,000, resulting in a net charge of $2,144,000 to Shareholders' Equity.

Proceeds and realized gains and losses from the sales of securities classified as available for sale for the year ended December 31, 1994, were $63,545,000, $256,700, and $476,000, respectively. For the purpose of determining realized gains and losses, the cost of securities sold is based on specific indentification.

THE READER'S DIGEST ASSOCIATION, INC. (JUN)

Amounts in thousands	1994	1993
Current assets:		
Cash and cash equivalents	$ 183,228	$ 183,526
Short-term investments	211,454	206,585
Receivables, less allowances for returns and bad debts of $209,472 in 1994 and $198,406 in 1993	392,849	380,421
Inventories	167,282	169,458
Prepaid expenses and other current assets	242,435	134,733
Total current assets	1,197,248	1,074,723
Marketable securities	372,175	333,248

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share data

1 (In Part): Summary of Significant Accounting Policies

Short-term Investments and Marketable Securities

At June 30, 1994, the company adopted SFAS 115. This standard requires that individual debt and equity securities be classified into one of three categories: trading, held-to-maturity or available-for-sale.

The company has short-term investments and marketable securities that are composed primarily of government and corporate fixed income securities. While it is the company's general intent to hold such securities until maturity, management will occasionally sell particular securities for cash flow purposes. Therefore, the company's short-term investments and marketable securities, at June 30, 1994, are classified as available-for-sale and are carried at fair value with the net unrealized gains or losses reported as a separate component of shareholders' equity, net of its related tax effects.

5 (In Part): Financial Instruments

Fair Value

On June 30, 1994, the company adopted Statement of Financial Accounting Standards No. (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities." As stated in Note 1, the company's short-term investments and marketable securities are classified as available-for-sale and are reported at fair value on the company's consolidated balance sheet. Quoted market prices have been used in determining the fair value of these investments.

Fair Value of Investments at June 30, 1994	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities maturing				
within 1 year	$210,157	$ 1,242	$ —	$211,399
1 to 10 years	350,773	666	(14,109)	337,330
Equity securities	3,350	31,550	—	34,900
	$564,280	$33,458	$(14,109)	$583,629

Proceeds from sales and maturities of securities available-for-sale were $275,438 in 1994 including realized gains of $27,356. The cost used to compute the realized gains was determined by specific identification.

At June 30, 1993, the company's short-term investments were carried on the consolidated balance sheet at $206,585 which approximated fair value. Marketable securities were carried at cost of $333,248, with a fair value at June 30, 1993 of $446,263.

Quoted market prices were not available for Other long-term investments held by the company. As a result, estimates of fair value provided by various outside sources were used to determine the fair value of these investments. Fair value approximates cost at which these investments are carried in the company's consolidated balance sheet.

THERMO ELECTRON CORPORATION (DEC)

(In thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$382,797	$325,744
Short-term available-for-sale investments, at quoted market value (amortized cost of $617,837) (Note 2)	614,915	—
Short-term investments, at cost (quoted market value of $377,183)	—	374,450
Accounts receivable, less allowances of $21,619 and $14,129	332,668	267,377
Unbilled contract costs and fees	42,113	32,574
Inventories:		
Raw materials and supplies	128,876	110,437
Work in process	44,711	38,055
Finished goods	59,795	44,330
Prepaid income taxes	62,488	39,258
Prepaid expenses	14,321	12,318
	1,682,684	1,244,543

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	1994	1993
Long-term Available-for-sale Investments, at Quoted Market Value (amortized cost of $65,218) (Note 2)	62,451	—
Long-term Marketable Securities, at Cost (quoted market value of $45,125)	—	43,630

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Available-for-sale Investments

Pursuant to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company's short- and long-term debt and marketable equity securities are accounted for at market value (Note 2). Prior to 1994, these investments were carried at the lower of cost or market value. The fair market value of short- and long-term investments is determined based on quoted market prices for those investments.

2. Available-for-sale Investments

Effective January 2, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with SFAS No. 115, the Company's debt and marketable equity securities are considered "Available-for-sale investments" in the accompanying balance sheet and are carried at market value, with the difference between cost and market value, net of related tax effects, recorded currently as a component of shareholders' investment titled "Net unrealized loss on available-for-sale investments." "Effect of change in accounting principle" in the accompanying statement of shareholders' investment represents the unrealized gain, net of related tax effects, pertaining to available-for-sale investments held by the Company on January 2, 1994.

The aggregate market value, cost basis, and gross unrealized gains and losses of short- and long-term available-for-sale investments by major security type, as of December 31, 1994, are as follows:

(In thousands)	Market Value	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses
Government agency securities	$287,418	$291,342	$ —	$3,924
Corporate bonds	298,799	301,103	74	2,378
Tax-exempt securities	33,588	33,882	—	294
Other	57,561	56,728	2,783	1,950
	$677,366	$683,055	$2,857	$8,546

Short- and long-term available-for-sale investments in the accompanying 1994 balance sheet include $348,613,000 with contractual maturities of one year or less, $289,293,000 with contractual maturities of more than one year through five years, and $39,460,000 with contractual maturities of more than five years. Actual maturities may differ from contractual maturities as a result of the Company's intent to sell these securities prior to maturity and as a result of put and call options that enable either the Company and/or the issuer to redeem these securities at an earlier date.

The cost of available-for-sale investments that were sold was based on specific identification in determining realized gains and losses recorded in the accompanying statement of income. Gain on sale of investments in 1994 resulted from gross realized gains of $6,666,000 and gross realized losses of $1,815,000 relating to the sale of available-for-sale investments.

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. Examples of receivables shown as current assets follow.

TABLE 2-5 : CURRENT RECEIVABLES

	1994	**1993**	**1992**	**1991**
Trade Receivable Captions				
Accounts receivable	250	250	237	234
Receivables	159	147	147	151
Trade accounts receivable	119	124	136	135
Accounts and notes receivable	72	79	80	80
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Contracts	48	57	57	56
Tax refund claims	34	42	51	64
Investees	27	31	31	30
Finance	25	25	25	24
Sale of assets	6	1	10	5
Installment notes or accounts	5	8	5	7
Employees	5	7	7	6

RECEIVABLES OTHER THAN TRADE RECEIVABLES

Contracts

KAMAN CORPORATION (DEC)

(In thousands)	1994	1993
Current assets:		
Cash	$ 3,711	$ 3,845
Accounts receivable	146,411	165,615
Inventories	160,224	130,451
Deferred income taxes	21,041	11,929
Other current assets	7,625	4,761
Total current assets	339,012	316,601

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

Accounts Receivable

Accounts receivable consist of the following:

	December 31, 1994	1993
Trade receivables, net of allowance for doubtful accounts of $1,665 in 1994, $1,576 in 1993	$66,477	$57,568
U.S. Government contracts:		
Billed	36,407	42,235
Recoverable costs and accrued profit—not billed	19,585	34,072
Commercial contracts:		
Billed	12,004	11,781
Recoverable costs and accrued profit—not billed	11,938	19,959
Total	$146,411	$165,615

Recoverable costs and accrued profit—not billed represent costs incurred on contracts, including contract retentions, which will become billable upon future deliveries or completion of engineering and service type contracts. Management estimates that approximately $8,298 of such costs and accrued profits at December 31, 1994 will be collected after one year.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

(In millions)	1994	1993
Current assets		
Cash (includes time deposits and certificates of deposit: 1994, $486.8 million; 1993, $588.9 million)	$ 628.3	$ 772.8
Receivables	2,267.2	2,209.1
Inventories	1,532.8	1,430.8
Other current assets	499.5	533.7
Total current assets	4,927.8	4,946.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Receivables

Receivables are summarized as follows (in millions):

September 30	1994	1993
Accounts and notes receivable:		
Commercial, less allowance for doubtful accounts (1994, $68.0; 1993, $47.3)	$1,364.2	$1,258.2
United States Government	128.1	149.0
Unbilled costs and accrued profits, less related progress payments (1994, $387.4; 1993, $550.5)	774.9	801.9
Receivables	$2,267.2	$2,209.1

Unbilled costs and accrued profits consist principally of revenues recognized on United States Government contracts under the percentage-of-completion (cost-to-cost) method of accounting (see Note 14.) Unbilled costs and accrued profits, less related progress payments, are billed in accordance with applicable contract terms. Unbilled costs and accrued profits include $201 million relating to claims subject to negotiation or settlement with customers. These claims include amounts which are not expected to be received within one year.

14. Contract Sales

Sales under fixed-price contracts are generally recorded upon delivery. Sales under all cost-type and certain fixed-price-type contracts requiring performance over several periods are accounted for under the percentage-of-completion (cost-to-cost) method of accounting.

Expected profits or losses on contracts are based on the company's estimates of total sales values and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments resulting from such revisions are recorded in the periods in which the revisions are made. In certain cases the estimated sales values include amounts expected to be realized from contract adjustments or claims subject to negotiations or legal proceedings. Losses on contracts are recorded in full as they are identified.

Sales under United States Government contracts accounted for 35 percent of total sales in 1994, 39 percent in 1993 and 43 percent in 1992. United States Government sales by contract type were as follows:

	1994	1993	1992
Cost	68%	65%	59%
Firm-fixed-price	25	27	31
Fixed-price-incentive	7	8	10
Total	100%	100%	100%

The major portion of work performed for the United States Government is under contracts that contain cost or performance incentives or both. These incentives provide for increases in fees or profits for surpassing stated targets or other criteria, or for decreases in fees or profits for failure to achieve such targets or other criteria. Performance incentives, for which a reasonable prediction of accomplishment cannot be made in advance, are included in sales at the time there is sufficient information to relate actual performance to targets or other criteria.

SEQUA CORPORATION (DEC)

(Amounts in thousands)	1994	1993
Current assets		
Cash and cash equivalents	$ 18,655	$ 24,780
Trade receivables, net (Note 2)	252,588	227,688
Unbilled receivables, net (Note 3)	35,688	55,451
Inventories	266,370	290,323
Other current assets	31,030	63,350
Total current assets	604,331	661,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Trade Receivables, Net

Sequa Receivables Corporation (SRC), a wholly owned special purpose subsidiary of the Company, has a Receivables Purchase Agreement with a group of banks, under which it is able to sell up to $45,000,000 of Company receivables without recourse through March 1997.

At December 31, 1993, receivables as shown in the Consolidated Balance Sheet were net of $45,000,000 of receivable interests sold under the agreement. At December 31, 1994 all such receivables had been repurchased by the Company. Other, net, in the Consolidated Statement of Income includes discount expenses of $1,829,000 in 1994, $3,136,000 in 1993 and $3,912,000 in 1992 related to the sale of receivables under this agreement.

Trade receivables at December 31, 1994 and 1993 have been reduced by allowances for doubtful accounts of $12,448,000 and $10,892,000, respectively.

Note 3. Unbilled Receivables, Net

Unbilled receivables, net consist of the following:

(Amounts in thousands) At December 31,	1994	1993
Fixed-price contracts	$32,005	$51,950
Cost-reimbursement contracts	3,683	3,501
	$35,688	$55,451

Unbilled receivables on fixed-price contracts arise as revenues are recognized under the percentage of completion method. These amounts are billable at specified dates, when deliveries are made or at contract completion, which is expected to occur within one year. All amounts included in unbilled receivables are related to long-term contracts and are reduced by appropriate progress billings.

Unbilled amounts on cost-reimbursement contracts represent recoverable costs and accrued profits not yet billed. These amounts are billable upon receipt of contract funding, final settlement of indirect expense rates, or contract completion.

Allowances for estimated nonrecoverable costs are primarily to provide for losses which may be sustained on contract costs awaiting funding and for the finalization of indirect expenses. Unbilled amounts at December 31, 1994 and 1993 are reduced by allowances for estimated nonrecoverable costs of $2,723,000 and $13,165,000, respectively.

TRANSTECHNOLOGY CORPORATION (MAR)

	1994	1993
Current assets:		
Cash and cash equivalents	$3,027,000	$1,505,000
Account receivable:		
United States Government	2,815,000	2,075,000
Commercial (net of allowance for doubtful accounts of $271,000 in 1994 and $318,000 in 1993)	19,500,000	17,426,000
Notes receivable	2,814,000	—
Inventories	35,786,000	33,375,000
Prepaid expenses and other current assets	2,932,000	1,715,000
Deferred income taxes	4,253,000	3,393,000
Net assets of discontinued businesses	4,309,000	3,176,000
Total current assets	75,436,000	62,665,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Accounts Receivable. Accounts receivable from the United States Government represent billed receivables and substantially all amounts are expected to be collected within one year. The Company has no amounts billed under retainage provisions of contracts.

Tax Refund Claims

REPUBLIC GYPSUM COMPANY (JUN)

	1994	1993
Current assets:		
Cash and cash equivalents	$910,000	$2,474,000
Investments and marketable securities, at cost, which approximates market	500,000	3,143,000
Accounts receivable, less allowance for doubtful accounts of $255,000 in 1994 and $377,000 in 1993	7,986,000	5,529,000
Income tax refunds receivable	219,000	15,000
Inventories:		
Finished goods	997,000	1,068,000
Raw materials and supplies	3,396,000	2,851,000
	4,393,000	3,919,000
Prepaid expenses	366,000	269,000
Net assets held for sale	264,000	483,000
Total current assets	14,638,000	15,832,000

SPARTON CORPORATION (JUN)

	1994	1993
Current assets:		
Cash	$1,713,718	$2,560,566
Income taxes recoverable	2,591,000	—
Accounts receivable:		
Trade, less allowance of $103,000 ($339,000 in 1993) for doubtful accounts	24,783,888	21,496,823
U.S. and foreign governments	7,149,291	10,122,048
Inventories	45,835,914	47,419,133
Prepaid expenses	2,434,109	2,362,297
Total current assets	84,507,920	83,960,867

Receivables From Affiliates

CLEVELAND-CLIFFS INC (DEC)

(In Millions)	1994	1993
Current Assets		
Cash and cash equivalents	$140.6	$ 67.9
Marketable securities	.8	93.1
	141.4	161.0
Trade accounts receivable (net of allowance, $19.5 in 1994 and 1993)	50.3	27.6
Receivables from associated companies	15.6	13.3
Inventories		
Finished products	24.5	27.5
Work in process	.6	
Supplies	14.6	4.2
	39.7	31.7
Deferred income taxes	14.7	14.1
Other	7.4	6.3
Total Current Assets	269.1	254.0

OCCIDENTAL PETROLEUM CORPORATION (DEC)

In millions	1994	1993
Current Assets		
Cash and cash equivalents	$ 129	$ 157
Receivables		
Trade, net of allowances of $17 in 1994 and $13 in 1993	831	539
Joint ventures, partnerships and other	134	128
Inventories	748	791
Prepaid expenses and other	416	319
Total current assets	2,258	1,934

ROHM AND HAAS COMPANY (DEC)

(Millions of dollars)	1994	1993
Current assets		
Cash and cash equivalents	$ 127	$ 35
Accounts receivable, net (Note 9)	679	604
Inventories	487	394
Prepaid expenses and other assets	147	167
Total current assets	1,440	1,200

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Accounts Receivable, Net

(Millions of dollars)	1994	1993
Customers	$622	$541
Unconsolidated subsidiaries and affiliates	23	25
Employees	4	6
Other	41	42
	690	614
Less allowance for losses	11	10
Total	$679	$604

Finance Receivables

WHIRLPOOL CORPORATION (DEC)

(millions of dollars)	1994	1993
Current Assets		
Cash and equivalents	$ 72	$ 88
Trade receivables, less allowances of $38 in 1994 and $36 in 1993	1,001	866
Financing receivables and leases, less allowances	866	814
Inventories	838	760
Prepaid expenses and other	197	102
Deferred income taxes	104	78
Total Current Assets	3,078	2,708

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Financing Receivables and Leases: Interest and discount charges are recognized in revenues using the effective yield method. Lease income is recorded in decreasing amounts over the term of the lease contract, resulting in a level rate of return on the net investment in the lease. Origination fees and related costs are deferred and amortized as yield adjustments over the life of the related receivable or lease.

The allowance for losses is maintained at estimated amounts necessary to cover losses on all finance and leasing receivables based on management's assessment of various factors including loss experience and review of problem accounts.

The Company adopted Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994. The new rules require that certain investments in marketable equity securities and many debt securities be presented at fair value. Adoption of the new rules had no material effect on the Company's net earnings or financial position.

In May 1993, the Financial Accounting Standards Board issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan," which requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loans' effective interest rate. The new rules must be adopted on a prospective basis no later than 1995. Adoption of the new rules will not have a material effect on the Company's net earnings or financial position.

Note 3. Financing Receivables and Leases

December 31 *(millions of dollars)*	1994	1993
Financing receivables	$1,251	$1,250
Leveraged leases	107	108
Direct financing leases	11	28
Other operating leases and investments	227	250
	1,596	1,636
Unearned income	(53)	(69)
Estimated residual value	86	89
Allowances for doubtful accounts	(46)	(49)
Total financing receivables and leases	1,583	1,607
Less current portion	866	814
Long-term portion	$ 717	$ 793

Deferred income tax liabilities relating to leveraged and direct financing leases were $113 million at December 31, 1994 and $105 million at December 31, 1993.

Financing receivables and leases at December 31, 1994 include $455 million due from household appliance and electronics dealers and $465 million resulting from aerospace financing transactions. These amounts are generally secured by the assets financed. Non-earning finance receivables and operating leases totaled $50 million at December 31, 1994 and $131 million at December 31, 1993.

Financing receivables and minimum lease payments receivable at December 31, 1994 mature contractually as follows:

(million of dollars)	Financing Receivables	Leveraged and Direct Financing Leases
1995	$ 882	$ 9
1996	136	6
1997	182	3
1998	26	3
1999	1	2
Thereafter	24	95
	$1,251	$118

Sale Of Assets

THE ACTAVA GROUP INC. (DEC)

(In thousands)	1994	1993
Current Assets		
Cash and cash equivalents	$ 47,916	$ 18,770
Short-term investments	14,321	29,635
Receivables (less allowance for doubtful accounts of $6,851 in 1994 and $10,227 in 1993)	132,948	276,018
Note receivable from Eastman Kodak Co. (less allowance for unearned discount of $3,635 in 1994)	96,365	—
Note receivable from Metromedia Company	32,395	—
Current portion of note receivable from Triton Group Ltd.	6,250	3,750
Inventories	13,403	108,439
Prepaid expenses and other assets	7,384	43,809
Income tax benefits	6,911	28,894
Total current assets	357,893	509,315

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Photofinishing Transaction and Discontinued Operation (In Part)

Qualex, Inc. is a photofinishing business formed in March 1988 by combination of Actava's photofinishing operations with the domestic photofinishing operations of Eastman Kodak Company. Prior to June 30, 1994, Actava owned 51% of the voting stock of Qualex, was entitled to and elected a majority of the members of the Board of Directors of Qualex, and had the ability through its control of the Board of Directors to declare dividends, remove the executive officers of Qualex and otherwise direct the management and policies of Qualex, except for policies relating to certain designated actions requiring the consent of at least one member of the Board of Directors of Qualex designated by Kodak. Because of these rights, the Company believes that it had effective unilateral control of Qualex which was not temporary during the period from 1988 until the second quarter of 1994. As a result, the Company consolidated the results of operations of Qualex with the results of operations of the Company for periods ending prior to June 30, 1994 and presented Kodak's portion of ownership and equity in the income of Qualex as a minority interest.

In June 1994, the Company decided to sell its interest in Qualex and engaged in negotiations with Kodak regarding the sale of such interest. Accordingly, the results of Qualex for all years presented are reported in the accompanying reclassified statements of operations under discontinued operations. In the second quarter of 1994, the Company provided for an anticipated loss of $37,858,000 on the sale of its interest in Qualex and the related covenant not to compete and release. No income tax expenses or benefits were recognized due to the Company's net operating loss carryforwards and recognition of tax benefits in prior periods.

On August 12, 1994, Kodak purchased all the Company's interest in Qualex and obtained a covenant not to compete and related releases from the Company in exchange for $50,000,000 in cash and a promissory note in the principal amount of $100,000,000. The promissory note is payable in installments of $50,000,000 each, without interest, on February 13, 1995 and August 11, 1995. Because the principal amount due under the note does not bear interest, the Company discounted the value of the note to $92,832,000 and will record imputed interest income of $7,168,000 over the term of the note. Approximately $3,500,000 of imputed interest income was recorded during 1994. All amounts received in exchange for the covenant not to compete and release were included in the computation of the anticipated loss on the sale of Qualex. The Company received $50,000,000 under the promissory note on February 13, 1995.

ALUMINUM COMPANY OF AMERICA (DEC)

(in millions)	1994	1993
Current assets:		
Cash and cash equivalents (includes cash of $177.5 in 1994 and $58.0 in 1993)	$ 619.2	$ 411.7
Short-term investments	5.5	243.6
Receivables from customers, less allowances: 1994–$37.4; 1993–$33.2	1,440.6	1,218.7
Receivable from WMC, net (C)	366.9	—
Other receivables	182.5	211.3
Inventories	1,144.2	1,227.2
Deferred income taxes	235.6	103.2
Prepaid expenses and other current assets	158.7	286.8
Total current assets	4,153.2	3,702.5

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

C. Gain From Alcoa/WMC Transaction

In December 1994, Alcoa recorded a gain of $400.2 ($300.2 after tax) from the acquisition by Western Mining Corporation Holdings Limited (WMC), located in Melbourne, Australia, of a 40% interest in Alcoa's worldwide bauxite, alumina and inorganic chemicals businesses. As part of the agreement, Alcoa acquired an additional 9% interest in Alcoa of Australia, bringing its total interest in that company to 60%. An additional cash payment may be made by WMC in the year 2000 if certain financial performance targets of the chemicals businesses are met. Alcoa has indemnified WMC for certain preformation environmental and other liabilities.

The significant effects of the transaction on the year-end balance sheet were increases of $68 in cash, $367 in net receivables and $202 in goodwill; offset by an increase in minority interests of $230. The net receivable was collected in early January 1995. If this transaction had occurred at the beginning of 1994, net income for the year would not have been materially different.

DRAVO CORPORATION (DEC)

(In thousands)	1994	1993
Current assets:		
Cash and cash equivalents	$ 2,027	$ 808
Receivable from sale of Dravo Basic Materials Company (Note 3)	120,464	—
Accounts receivable, net of allowance for uncollectibles of $108 and $897	20,138	44,225
Notes receivable	2,803	3,318
Inventories	12,638	57,536
Other current assets	2,067	2,417
Total current assets	160,137	108,304

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Dispositions

The company completed a transaction on December 30, 1994 in which it sold to Martin Marietta Materials, Inc. (Martin Marietta), effective January 3, 1995, substantially all the assets of its construction aggregates business. Assets sold included the assets, properties and leases of Dravo Basic Materials Company, Inc. (DBM), a wholly-owned subsidiary of the company, and Atchafalaya Mining Company, Inc. (AMC), a wholly-owned subsidiary of DBM, used in the production, marketing, distribution and sale of various aggregate products. Also sold was the capital stock of Dravo Bahama Rock Limited (DBR), a wholly-owned foreign subsidiary of DBM.

The significant terms of the transaction called for Martin Marietta to purchase substantially all of DBM's and AMC's assets at their December 31, 1994 book value plus a premium of $2.0 million. Assets excluded from the sale included cash in banks; the capital stock of two subsidiary companies, Dravo Natural Resources Company and Tideland Industries, Inc.; amounts due from affiliated companies; notes receivable and certain properties located near Cincinnati, Ohio and Lake Charles, Louisiana. The company is required to buy back accounts receivable that are unpaid at May 3, 1995.

Martin Marietta also paid the company $8.0 million in consideration of (i) a non-competition and non-disclosure agreement and (ii) distributorship agreements for crushed limestone aggregates produced at Dravo Lime's Maysville, Black River and Longview facilities.

The company, DBM and AMC retained substantially all obligations and liabilities which arose from or in connection with operations prior to the sales transaction. The sales price was reduced for liabilities assumed by Martin Marietta which included accrued vacations and wages for transferred employees, liabilities of DBR and land reclamation obligations.

Actual and estimated expenses related to the sale totaled $9.5 million and included transaction costs, benefit plan curtailment expenses, environmental clean-up costs, severance pay and various wind-down costs. A net $487,000 pre-tax gain on the transaction was recorded in other income.

The assets and liabilities sold to Martin Marietta have been removed from the company's December 31, 1994 balance sheet and a corresponding receivable from the sale of DBM of $120.5 million has been recorded. The December 31, 1994 statement of operations includes the results of DBM for the entire year.

Pro forma data is provided below for comparative purposes only and does not purport to be indicative of the results which actually would have been obtained if the disposition had been effected on the pro forma dates, or of the results which may be obtained in the future.

The following pro forma statement of operations presents the results of operations assuming the disposition had been completed as of the beginning of 1994. Adjustments have been made to exclude the results of DBM, to decrease interest expense for loans prepaid in early 1995 from the sale proceeds, and to record interest income at overnight investment rates for cash received in excess of liabilities paid.

December 31, 1994	Historical	Pro Forma
(Unaudited, in thousands, except earnings per share)		
Revenue	$278,052	$125,661
Gross profit	44,034	30,802
Selling expenses	7,116	4,530
General and administrative expenses	22,497	12,872
Other income	3,514	3,041
Interest expense	(12,408)	(5,717)
Earnings before taxes	5,527	10,724
Income tax expense	597	489
Earnings from continuing operations	4,930	10,235
Earnings per share, continuing operations	0.16	0.52

Cash from the sale of DBM's assets was received on January 3, 1995 and certain debt obligations were prepaid from the proceeds. The following pro forma balance sheet is presented to show the financial condition of the company at December 31, 1994 if these transactions had occurred at the balance sheet date.

December 31, 1994	Historical	Pro Forma
(Unaudited, in thousands)		
Cash and cash equivalents	$ 2,027	$ 15,502
Receivable from sale of DBM	120,464	—
Accounts receivable, net	20,138	20,280
Other current assets	17,508	17,508
Total current assets	160,137	53,290
Long-term assets	147,192	147,192
Total assets	$307,329	$200,482
Current portion of long-term notes	$ 85,077	$ 112
Accounts payable—trade	36,257	19,638
Net liabilities of discontinued operations	13,547	9,340
Other current liabilities	18,917	18,036
Total current liabilities	153,798	47,126
Long-term notes	42,440	42,265
Net liabilities of discontinued operations	8,445	8,445
Other liabilities	5,900	5,900
Redeemable preference stock	20,000	20,000
Shareholders' equity	76,746	76,746
Total liabilities and shareholders' equity	$307,329	$200,482

Employee

MOLEX INCORPORATED (JUN)

(in thousands)	1994	1993
Current assets:		
Cash	$ 19,309	$ 27,160
Short-term investments	209,617	158,893
Accounts receivable:		
Trade, less allowance of $8,916 in 1994 and $8,789 in 1993 for doubtful accounts	216,866	184,233
Employee	4,808	6,302
Inventories	113,266	104,488
Deferred income taxes	18,665	12,305
Prepaid expenses	4,081	4,179
Total current assets	586,612	497,560

Bill And Hold

JOHNSTON INDUSTRIES, INC. (JUN)

	1994	1993
Current Assets:		
Cash	$3,914,000	$4,102,000
Accounts and notes receivable, net of allowance of $368,000 and $314,000	18,152,000	15,643,000
Notes receivable and accrued interest from stockholders		5,524,000
Inventories	25,438,000	23,194,000
Prepaid expenses and other	1,330,000	1,259,000
Total current assets	48,834,000	49,722,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition—Revenue is generally recognized as products are shipped to customers. When customers, under the terms of specific orders, request that the Company manufacture and invoice goods on a bill and hold basis, the Company recognizes revenue based on the completion date required in the order and actual completion of the manufacturing process. Accounts receivable included bill and hold receivables of $3,136,000 and $2,538,000 at June 30, 1994 and 1993, respectively.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1994	**1993**	**1992**	**1991**
Receivables sold to finance subsidiaries	10	8	5	9
Receivables sold to independent entities	76	83	80	67
Receivables used as collateral	44	50	45	48
Total References	**130**	**141**	**130**	**124**
Reference to receivable financing	125	133	127	120
No reference to receivable financing	475	467	473	480
Total companies	**600**	**600**	**600**	**600**

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1994 annual reports of 125 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 disclosure 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

DIXIE YARNS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Credit and Market Risk: The Company sells products to a wide variety of manufacturers and retailers located primarily throughout the United States. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. An allowance for doubtful accounts is maintained at a level which management believes is sufficient to cover potential credit losses including potential losses on receivables sold (see Note C). The Company invests its excess cash in short-term investments and has not experienced any losses on those investments.

C. Sale of Accounts Receivable

On October 15, 1993, the Company entered into a seven-year agreement to sell an undivided interest in a revolving pool of its trade accounts receivable. At December 31, 1994 and December 25, 1993, a $45,000,000 interest had been sold under this agreement and is reflected as a reduction of accounts receivable in the accompanying consolidated balance sheets. Fees of this program were fixed at 6.08% per annum on the amount of the interest sold plus administrative fees typical in such transactions. These costs, which were approximately $2,983,000 for 1994 and $574,000 for 1993, are included in other (income) expense—net.

FEDERAL-MOGUL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Accounts Receivable Securitization

In June 1992 and March 1993, the company entered into agreements to sell, on a revolving basis, an undivided interest in a designated pool of accounts receivable. Accordingly, the company irrevocably and without recourse transferred all of its U.S. dollar denominated trade accounts receivable (approximately $214 million at December 31, 1994 and principally representing amounts owed to the company by original equipment and aftermarket customers in the U.S. automotive and related industries) and $5 million Canadian receivables to the Federal-Mogul Trade Receivables Master Trust. The Trust sold investor certificates representing an interest in $55 million and $40 million of trust assets in 1992 and 1993, respectively. The company holds seller certificates representing an interest in the remaining assets of the Trust, which certificates are included with accounts receivable in the company's balance sheet at December 31, 1994. The agreement expires in 1997.

The Trust agreement requires the company to maintain its interest in the assets of the Trust at a certain calculated participation level (approximately 38% at December 31, 1994) which, if not met, requires the company to contribute cash or additional trade accounts receivable in order to satisfy such participation requirement. The company exceeded the required participation level by approximately $47 million and $29 million as of December 31, 1994 and 1993, respectively.

All losses, credits or other adjustments on receivables owned by the Trust are deductions from the assets represented by the seller certificates owned by the company. Accordingly, the owners of the investor certificates have no recourse to the company beyond the assets represented by the seller certificates. The company does not generally require collateral for its trade accounts receivable and maintains an allowance ($10.9 million and $14.5 million at December 31, 1994 and 1993, respectively) based upon the expected collectibility of all trade accounts receivable, including receivables sold.

Accounts receivable in the 1994 and 1993 consolidated balance sheet exclude $95 million, respectively, representing investor certificates sold. The discount related to the sale of receivables under this agreement of $6.2 million in 1994 and $5.3 million in 1993 have been classified as a reduction of other income.

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Supplemental Financial Information

Accounts and Notes Receivable

In 1991, the Company entered into an agreement which allows for the sale, without recourse, of a fractional interest in a defined pool of trade accounts receivable. The maximum allowable amount of receivables to be sold, initially $75 million, was increased to $88 million in 1993 and $105 million in 1994. The amount outstanding at any measurement date varies based upon the level of eligible receivables. Under this agreement, $105 million and $88 million were sold at December 31, 1994 and January 1, 1994, respectively. The sale is reflected as a reduction of accounts receivable in the accompanying Consolidated Balance Sheet and as operating cash flows in the accompanying Consolidated Statement of Cash Flows. The costs of this program, which were $4.1 million in 1994, $2.8 million in 1993 and $3.4 million in 1992 are based upon the Company's debt ratings and the purchaser's level of investment and borrowing costs and are charged to selling and administrative expenses in the accompanying Consolidated Statement of Income.

HONEYWELL INC. (DEC)

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

Note 8. Receivables

Receivables have been reduced by an allowance for doubtful accounts as follows:

	1994	1993
Receivables, current	$31.1	$24.3
Long-term receivables	0.7	0.5

Receivables include approximately $21.9 in 1994 and $21.1 in 1993 billed to customers but not paid pursuant to contract retainage provisions. These balances are due upon completion of the contracts, generally within one year.

Unbilled receivables related to long-term contracts amount to $295.9 in 1994 and $275.6 in 1993 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 $1.9 in 1994 and $3.6 in 1993 to an amount that approximates realizable value.

In 1992, Honeywell entered into a three-year agreement with a large international banking institution, whereby it can sell an undivided interest in a designated pool of trade accounts receivable up to a maximum of $50.0 on an ongoing basis and without recourse. As collections reduce accounts receivable sold, Honeywell may sell an additional undivided interest in new receivables to bring the amount sold up to the $50.0 maximum. Proceeds received from the sale of receivables are included in cash flows from operating activities in the statement of cash flows and amounted to $34.4 in 1994, $193.7 in 1993 and $30.9 in 1992. The uncollected balance of receivables sold amounted to $2.4 and $37.9 at December 31, 1994, and 1993, respectively, and averaged $4.2 and $21.7 during those respective years. The discount recorded on sale of receivables is included in selling, general and administrative expenses on the income statement and amounted to $0.4, $0.7 and $0.6 in 1994, 1993 and 1992, respectively. Honeywell, as agent for the purchaser, retains collection and administrative responsibilities for the participating interests sold.

STANDARD MOTOR PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Sale of Accounts Receivables

On December 20, 1993, the Company entered into a new three-year agreement whereby it can sell up to a $25,000,000 undivided interest in a designated pool of certain eligible accounts receivable. At December 31, 1994 and 1993, net receivables amounting to $25,000,000 had been sold under these agreements. As collections reduce previously sold undivided fractional interest, new receivables are customarily sold up to the $25,000,000 level. At the expiration of the agreement, the Company and the purchaser share a proportionate risk of loss as the eligible pool of accounts receivable is liquidated (see Note 13).

13. Other Income (Expense), Net

(In thousands)	December 31,		
	1994	1993	1992
Other income (expense), net consists of:			
Interest and dividend income	$1,724	$1,648	$1,630
(Loss) on sale of accounts receivables (Note 3)	(1,107)	(660)	(997)
Income (loss) from Blue Streak Electronics, Inc.	828	352	(97)
Other—net	(209)	308	161
Total other income (expense), net	$1,236	$1,648	$ 697

TYCO INTERNATIONAL LTD. (JUN)

NOTES TO FINANCIAL STATEMENTS

5. Sale of Accounts Receivable

On November 1, 1993, the Company entered into an agreement pursuant to which it sold a percentage ownership interest in a defined pool of the Company's trade receivables. As collections reduce accounts receivable included in the pool, the Company sells participating interests in new receivables to bring the amount sold up to the $150 million maximum permitted by the agreement. Under terms of the agreement the Company has retained substantially the same risk of credit loss as if the receivables had not been sold and, accordingly, the full amount of the allowance for doubtful accounts has been retained. Proceeds of $150 million from the sale were used to reduce borrowings under uncommitted lines of credit and are reported as operating cash flows in the Company's Consolidated Statement of Cash Flows and a reduction of receivables in the Company's Consolidated Balance Sheet. The proceeds of sale are less than the face amount of accounts receivable sold by an amount which approximates the purchaser's financing cost of issuing its own commercial paper backed by these accounts receivable. The discount from the face amount was $4.1 million during the year ended June 30, 1994, and has been included in selling, general and administrative expense in the Company's Consolidated Statement of Income. The Company, as agent for the purchaser, retains collection and administrative responsibilities for the participating interests of the defined pool.

USX CORPORATION (DEC)

(Dollars in millions)	1994	1993
Current assets:		
Cash and cash equivalents	$ 48	$ 268
Receivables, less allowance for doubtful accounts of $9 and $9 *(Note 11)*	1,112	906
Inventories	1,742	1,626
Deferred income tax benefits	339	245
Other current assets	81	94
Total current assets	3,322	3,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Sales of Receivables

Accounts receivable—USX has entered into agreements to sell certain accounts receivable subject to limited recourse. Payments are collected from the sold accounts receivable; the collections are reinvested in new accounts receivable for the buyers; and a yield based on defined short-term market rates is transferred to the buyers. Collections on sold accounts receivable will be forwarded to the buyers at the end of the agreements in 1995, in the event of earlier contract termination or if USX does not have a sufficient quantity of eligible accounts receivable to reinvest in for the buyers. The balance of sold accounts receivable averaged $737 million, $733 million and $703 million for years 1994, 1993 and 1992, respectively. At December 31, 1994, the balance of sold accounts receivable that had not been collected was $750 million. Buyers have collection rights to recover payments from an amount of outstanding receivables for 115% to 120% of the outstanding receivables purchased on a nonrecourse basis; such overcollateralization cannot exceed $133 million. USX does not generally require collateral for accounts receivable, but significantly reduces credit risk through credit extension and collection policies, which include analyzing the financial condition of potential customers, establishing credit limits, monitoring payments and aggressively pursuing delinquent accounts. In the event of a change in control of USX, as defined in the agreements, USX may be required to forward payments collected on sold accounts receivable to the buyers.

Loans receivable—Prior to 1993, USX Credit, a division of USX, sold certain of its loans receivable subject to limited recourse. USX Credit continues to collect payments from the loans and transfer to the buyers principal collected plus yield based on defined short-term market rates. In 1994, 1993 and 1992, USX Credit net repurchases of loans receivable totaled $38 million, $50 million and $24 million, respectively. At December 31, 1994, the balance of sold loans receivable subject to recourse was $131 million. USX Credit is not actively seeking new loans at this time. USX Credit is subject to market risk through fluctuations in short-term market rates on sold loans which pay fixed interest rates. USX Credit significantly reduces credit risk through a credit policy, which requires that loans be secured by the real property or equipment financed, often with additional security such as letters of credit, personal guarantees and committed long-term financing takeouts. Also, USX Credit diversifies its portfolio as to types and terms of loans, borrowers, loan sizes, sources of business and types and locations of collateral. As of December 31, 1994, and December 31, 1993, USX Credit had outstanding loan commitments of $26 million and $29 million, respectively. In the event of a change in control of USX, as defined in the agreement, USX may be required to provide cash collateral in the amount of the uncollected loans receivable to assure compliance with the limited recourse provisions.

Estimated credit losses under the limited recourse provisions for both accounts receivable and loans receivable are recognized when the receivables are sold consistent with bad debt experience. Recognized liabilities for future recourse obligations of sold receivables were $3 million at December 31, 1994, and December 31, 1993.

27. Fair Value of Financial Instruments

Fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement. The following table summarizes financial instruments, excluding derivative financial instruments disclosed in Note 26, by individual balance sheet account:

	1994		1993	
(In millions) December 31	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 48	$ 48	$ 268	$ 268
Receivables	1,094	1,094	899	899
Long-term receivables and other investments	146	180	166	200
Total financial assets	$1,288	$1,322	$1,333	$1,367
Financial liabilities:				
Notes payable	$ 1	$ 1	$ 1	$ 1
Accounts payable	1,873	1,873	2,213	2,213
Accrued interest	128	128	142	142
Long-term debt (including amounts due within one year)	5,462	5,285	5,828	5,988
Total financial liabilities	$7,464	$7,287	$8,184	$8,344

Fair value of financial instruments classified as current assets or liabilities approximate carrying value due to the short-term maturity of the instruments. Fair value of long-term receivables and other investments was based on discounted cash flows or other specific instrument analysis. Fair value of long-term debt instruments was based on market prices where available or current borrowing rates available for financings with similar terms and maturities.

In addition to certain derivative financial instruments, USX's unrecognized financial instruments consist of receivables sold subject to limited recourse, commitments to extend credit and financial guarantees. It is not practicable to estimate the fair value of these forms of financial instrument obligations because there are no quoted market prices for transactions which are similar in nature. For details relating to sales of receivables and commitments to extend credit see Note 11. For details relating to financial guarantees see Note 25.

Receivables Used As Collateral

CHOCK FULL O'NUTS CORPORATION (JUL)

	1994	1993
Current Assets:		
Cash and cash equivalents	$5,939,456	$5,469,159
Receivables, principally trade, less allowances for doubtful accounts and discounts of $928,000 and $1,081,000—Note 3	31,935,437	25,319,816
Inventories	45,543,048	38,385,397
Net assets of product line sold		24,970,356
Investments in marketable securities, at cost (market value of $25,649,000)	25,786,080	
Prepaid expenses and other	3,466,246	3,222,586
Total Current Assets	112,670,267	97,367,314

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Long-Term Debt

Under the Company's amended and restated revolving credit and term loan agreements (collectively the "Loan Agreements") with National Westminster Bank USA and Chemical Bank (the "Banks"), the Company may, from time to time, borrow funds from the Banks, provided that the total principal amount of all such loans outstanding at any time may not exceed $40,000,000. Interest (7.25% at July 31, 1994) on all such loans is equal to the prime rate, subject to adjustment based on the level of loans outstanding. Outstanding borrowings under the Loan Agreements may not exceed certain percentages of and are collateralized by, among other things, the trade accounts receivable and inventories, and substantially all of the machinery and equipment and real estate of the Company and its subsidiaries. All loans made under the term loan agreement ($10,000,000 at July 31, 1994) are to be repaid in December 1997. Outstanding loans under the revolving credit agreements are to be repaid in December, 1997. Pursuant to the terms of the Loan Agreements, the Company and its subsidiaries, among other things, must maintain a minimum net worth and meet ratio tests for liabilities to net worth and coverage of fixed charges and interest, all as defined.

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

	1994	**1993**	**1992**	**1991**
Allowance for doubtful accounts	260	266	265	273
Allowance	166	164	156	157
Allowance for losses	26	28	28	24
Allowance for uncollectible accounts	9	10	9	9
Reserve	14	13	11	14
Reserve for doubtful accounts	7	5	6	6
Other caption titles	37	33	29	26
	519	519	504	509
Receivables shown net	15	15	14	12
No reference to doubtful accounts	66	66	82	79
Total Companies	**600**	**600**	**600**	**600**

INVENTORIES

Chapter 4 of *Accounting Research Bulletin 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 costs 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."

Fifty-four 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. Nineteen 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			
	1994	1993	1992	1991
Methods				
First-in first-out (fifo)	417	417	415	421
Last-in first-out (lifo)	351	350	358	361
Average cost	192	189	193	200
Other	42	42	45	50
Use of LIFO				
All inventories	17	17	23	23
50% or more of inventories	186	191	189	186
Less than 50% of inventories	98	92	91	95
Not determinable	50	50	55	57
Companies Using LIFO	**351**	**350**	**358**	**361**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1994		1993	
	No.	%*	No.	%*
Advertising	—	—	—	—
Aerospace	8	40	8	36
Apparel, shoes	10	59	9	56
Beverages	4	67	5	83
Building materials, glass	8	58	7	54
Chemicals	29	85	29	83
Computer and data services	—	—	—	—
Computers, office equipment	2	8	2	9
Electronics, electrical equipment	18	33	19	33
Engineering, construction	3	50	3	60
Entertainment	1	20	1	20
Food	18	46	19	48
Forest and paper products	29	97	28	97
Furniture	5	71	5	71
Hotels, casinos	—	—	—	—
Industrial and farm equipment	33	75	32	74
Metal products	17	74	17	74
Metals	18	75	19	76
Mining, crude oil production	6	46	6	46
Motor vehicles and parts	17	68	17	68
Petroleum refining	22	95	22	95
Pharmaceuticals	7	54	8	53
Publishing, printing	14	70	14	70
Retailing—grocery stores	10	100	10	100
Retailing—other stores	14	82	14	82
Rubber and plastic products	7	64	7	64
Scientific, photographic, and control equipment	13	38	13	38
Soaps, cosmetics	4	50	4	44
Textiles	10	77	8	73
Tobacco	2	33	2	33
Transportation equipment	3	75	3	75
Waste management	—	—	—	—
Wholesalers	11	69	11	69
Not otherwise classified	8	31	8	31
Total Companies	**351**	**58**	**350**	**58**

*Percent of total number of companies for each industry classification included in the survey.

FIFO

ABBOTT LABORATORIES (DEC)

(dollars in thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$290,272	$300,676
Investment securities	25,056	78,149
Trade receivables, less allowance of— 1994: $128,929; 1993; $116,925	1,468,519	1,336,222
Inventories—		
Finished products	514,715	476,548
Work in process	218,643	216,493
Materials	284,833	247,492
Total inventories	1,018,191	940,533
Prepaid income taxes	549,091	458,026
Other prepaid expenses and receivables	525,199	471,929
Total Current Assets	3,876,328	3,585,535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and conversion costs.

DATA GENERAL CORPORATION (SEP)

Dollars in Thousands	1994	1993
Assets		
Current assets:		
Cash and temporary cash investments	$142,448	$119,560
Marketable securities	47,865	72,395
Receivables, less allowances of $13,752 at Sept. 24, 1994 and $12,992 at Sept. 25, 1993	258,709	285,481
Inventories	118,412	101,827
Other current assets	30,642	32,397
Total current assets	598,076	611,660

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

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

Note 3 (In Part): Consolidated Balance Sheet Details

In Thousands	1994	1993
Inventories:		
Raw materials	$ 11,791	$ 6,665
Work in process	36,282	27,778
Finished systems	35,521	31,566
Field engineering parts and components	34,818	35,818
Total inventories	$118,412	$101,827

LIFO

BRIGGS & STRATTON CORPORATION (JUN)

	1994	1993
Current Assets:		
Cash and Cash Equivalents	$221,101,000	$39,501,000
Short-Term Investments	—	70,422,000
Receivables, Less Allowances of $1,678,000 and $754,000, Respectively	122,597,000	124,981,000
Inventories—		
Finished Products and Parts	55,847,000	46,061,000
Work in Process	27,078,000	25,320,000
Raw Materials	2,745,000	2,684,000
Total Inventories	85,670,000	74,065,000
Future Income Tax Benefits	32,868,000	27,457,000
Prepaid Expenses	20,548,000	16,537,000
Total Current Assets	482,784,000	352,963,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of approximately 89% of total inventories at July 3, 1994, 89% at June 27, 1993 and 90% at June 30, 1992. The cost for the remaining portion of the inventories was determined using the first-in, first-out (FIFO) method. If the FIFO inventory valuation method had been used exclusively, inventories would have been $42,268,000, $40,888,000 and $39,738,000 higher in the respective years. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

DYNAMICS CORPORATION OF AMERICA (DEC)

(dollar amounts in thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$6,837	$8,969
Accounts receivable, less allowances of $604 and $531	15,214	16,287
Inventories—Note 2	17,893	18,092
Other current assets	3,065	1,897
Current assets of division held for sale	1,185	1,408
Deferred income taxes	5,418	4,542
Total Current Assets	49,612	51,195

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

(c) Inventories are stated at the lower of cost or market. Inventory costs have been determined by the last-in, first-out (LIFO) method for approximately 36% (1994) and 42% (1993) of inventories, excluding inventories subject to progress billings under contracts. Costs for other inventories have been determined principally by the first-in, first-out (FIFO) method.

Note 2: Inventories

(in thousands)	1994	1993
Raw materials and supplies	$ 7,579	$ 7,251
Work in process	6,791	6,426
Finished goods	3,391	4,076
	17,761	17,753
Inventories subject to progress billings	666	1,189
Progress billings	(534)	(850)
	132	339
	$17,893	$18,092

The excess of current replacement cost over LIFO cost of inventories amounted to $982,000 (1994) and $950,000 (1993).

The United States Government has liens on substantially all inventories subject to progress billings.

OXFORD INDUSTRIES, INC. (MAY)

$ in thousands	1994	1993
Current Assets:		
Cash and cash equivalents	$ 3,227	$ 3,254
Receivables, less allowance for doubtful accounts of $2,300 and $1,993 in 1994 and 1993, respectively	75,165	68,093
Inventories	114,465	102,593
Prepaid expenses	12,402	11,698
Total Current Assets	205,259	185,638

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. Inventories

Inventories are principally stated at the lower of cost (last-in, first-out method, "LIFO") or market.

B. Inventories:

The components of inventories are summarized as follows:

$ in thousands	June 3, 1994	May 28, 1993
Finished goods	$59,784	$55,733
Work in process	22,549	19,931
Fabric	24,967	20,484
Trim and supplies	7,165	6,445
	$114,465	$102,593

The excess of replacement cost over the value of inventories based upon the LIFO method was $35,644,000 at June 3, 1994 and $36,667,000 at May 28, 1993.

For fiscal year 1994, net income was increased by approximately $609,000 ($.07 per share) as a result of using the LIFO method as compared to using the first-in, first-out method. During 1993 and 1992, net income was reduced by approximately $757,000 ($.09 per share) and $683,000 ($.08 per share), respectively, as a result of using the LIFO method.

During fiscal 1993 and 1992, inventory quantities were reduced, which resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in prior years. The effect of the liquidations for 1993 was to decrease cost of goods sold by approximately $124,000 and to increase net earnings by $75,000 or $.01 per share. The effect of the liquidations for 1992 was to decrease cost of goods sold by $1,205,000 and to increase net earnings by $735,000 or $.08 per share. There were no significant liquidations of LIFO inventories in 1994.

Average Cost

BAKER HUGHES INCORPORATED (SEP)

(In thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$ 69,179	$ 6,992
Receivables—less allowance for doubtful accounts: 1994, $21,405; 1993, $21,607	612,414	619,953
Inventories:		
Finished goods	508,198	467,806
Work in process	53,644	68,408
Raw materials	81,204	102,926
Total inventories	643,046	639,140
Net assets of business held for sale		126,430
Deferred income taxes	45,959	2,990
Other current assets	29,394	21,301
Total current assets	1,399,992	1,416,806

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.

H.J. HEINZ COMPANY (APR)

(Dollars in thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$ 98,536	$ 68,432
Short-term investments, at cost which approximates market	43,868	155,872
Receivables (net of allowances: 1994—$15,407 and 1993—$16,299)	812,501	978,935
Inventories:		
Finished goods and work-in-process	851,944	874,912
Packaging material and ingredients	293,803	310,516
	1,145,747	1.185,428
Prepaid expenses	154,017	172,630
Other current assets	36,861	62,114
Total current assets	2,291,530	2,623,411

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies:

Inventories: Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

Production Cost

CONAGRA, INC. (MAY)

Dollars in millions	1994	1993
Current assets		
Cash	$ 100.3	$ 159.5
Cash equivalents	66.1	97.5
Receivables, less allowance for doubtful accounts of $55.9 and $47.5	1,589.6	1,421.4
Margin deposits and segregated funds—financial businesses	286.0	190.0
Inventories (Note 4)		
Hedged commodities	723.4	656.5
Other	2,161.0	1,782.7
	2,884.4	2,439.2
Prepaid expenses	216.9	179.1
Total current assets	5,143.3	4,486.7

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

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 reflect properly 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 or market, inventories not hedged are priced at the lower of average cost or market.

4. Inventories

The major classes of inventories are as follows:

	1994	1993
Hedged commodities	$ 723.4	$ 656.5
Food products and livestock	1,260.7	1,120.2
Agricultural chemicals, fertilizer and feed	322.6	146.1
Retail merchandise	176.0	170.1
Other, principally ingredients and supplies	401.7	346.3
	$2,884.4	$2,439.2

The cost of certain food products and livestock inventories stated under the last-in, first-out (LIFO) method is $211.0 million and $133.4 million at May 29, 1994 and May 30, 1993, respectively. Had these inventories been stated at lower of principally first-in, first-out (FIFO) cost or market, they would have been $41.0 million and $44.2 million greater than reported at May 29, 1994 and May 30, 1993, respectively.

Identified Cost

UNIVERSAL CORPORATION (JUN)

(In thousands of dollars)	1994	1993
Current		
Cash and cash equivalents	$ 164,520	$ 119,693
Accounts and notes receivable	368,989	345,766
Accounts receivable—unconsolidated affiliates	28,113	20,098
Inventories—at lower of cost or market:		
Tobacco	436,033	431,140
Lumber and building products	83,441	63,386
Agri-products	60,132	56,004
Other	8,753	18,811
Prepaid income taxes	10,095	
Deferred income taxes	5,530	3,606
Other current assets	20,423	28,431
Total current assets	1,186,029	1,086,935

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Inventories

Inventories of tobacco and agri-products are stated at the lower of specific cost or market. In determining lower of cost or market for agri-products, an entire position, i.e., tea, including forward purchase and sales contracts, is considered. Net unrealized losses by position are charged to income. However, no recognition is given to net unrealized gains. All other inventories are stated principally at lower of average cost or market.

PREPAID EXPENSES

Table 2-10 summarizes the prepaid expense captions appearing in the current asset section of the survey companies' balance sheets. Rarely is the nature of a prepaid expense caption disclosed. Examples of companies disclosing the nature of a prepaid expense caption follow.

TABLE 2-10: PREPAID EXPENSES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Prepaid expenses	163	168	174	184
Prepaid expenses and other current assets	157	147	144	137
Prepaid expenses and deferred taxes	8	11	13	11
Prepaid expenses and advances	5	6	6	7
Prepaid expenses and other receivables	4	7	6	7
Employee benefits	4	6	5	5
Other captions indicating prepaid expenses	20	19	19	11

AMERICAN GREETINGS CORPORATION (FEB)

Thousands of dollars	1994	1993
Current Assets		
Cash and equivalents	$101,066	$235,186
Trade accounts receivable, less allowances for sales returns of $97,903 ($72,254 in 1993) and for doubtful accounts of $13,084 ($13,816 in 1993)	322,675	276,932
Inventories:		
Raw Material	48,845	44,469
Work in process	38,956	30,171
Finished products	202,620	204,010
	290,421	278,650
Less LIFO allowance	84,970	84,887
	205,451	193,763
Display material and factory supplies	37,906	34,360
Total inventories	243,357	228,123
Deferred income taxes	62,075	66,339
Prepaid expenses and other	121,022	105,277
Total current assets	850,195	911,857

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars except per share amounts

Note B — Prepaid Expenses and Other

The prepaid expenses and other classification consists of deferred costs relating to agreements with certain customers, cash and short-term investments held in trust for the payment of medical benefits, rent and insurance.

The largest component of prepaid expenses and other is deferred costs estimated to be charged to operations during the next year and are $98,004 and $69,535 at February 28, 1994 and 1993, respectively.

Cash and short-term investments held in trusts restricted for the payment of benefits provided under the Corporation's health care plan are $8,456 and $23,163 at February 28, 1994 and 1993, respectively.

At February 28, 1994, the assets held in trust for benefits to retired employees was recorded as a reduction of the Corporation's postretirement benefit obligation.

CCH INCORPORATED (DEC)

(In thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$43,302	$32,322
Short-term investments	39,918	62,150
Accounts receivable, less allowance for doubtful accounts (1994 — $20,049 and 1993 — $17,025)	204,295	200,010
Prepaid employee health care	23,416	26,214
Prepaid commissions	29,415	27,955
Inventories	8,877	9,733
Prepaid expenses and other	5,876	7,595
Refundable income taxes	—	8,777
Total Current Assets	355,099	374,756

EKCO GROUP, INC. (DEC)

(Amounts in thousands)	1994	1993
Current Assets		
Cash and cash equivalents	$ 129	$ 327
Accounts receivable, net of allowance for doubtful accounts (January 1, 1995, $1,739; January 2, 1994, $1,758)	46,030	36,095
Inventories	48,242	33,612
Prepaid expenses and other current assets	6,296	5,800
Deferred income taxes	7,330	9,647
Investments pledged as collateral	3,600	4,350
Total current assets	111,627	89,831

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Prepaid expenses and other current assets

The company incurs certain costs in connection with expanding its market position at retail. These costs are deferred and amortized using the straight-line method over the lesser of the period of benefit or the program period. Program periods currently range from one to three years. It is the Company's policy to periodically review and evaluate that the benfits associated with these costs are expected to be realized and therefore deferral and amortization is justified. Approximately $4.4 million and $4.0 million of these costs are included in prepaid expenses at January 1, 1995 and January 2, 1994, respectively.

THE STANDARD PRODUCTS COMPANY (JUN)

(Thousands of Dollars)	1994	1993
Current Assets:		
Cash and cash equivalents	$ —	$ 5,548
Receivables, less allowances of $3,627 in 1994 and $2,293 in 1993	202,363	168,147
Inventories	53,018	46,677
Prepaid insurance, taxes, etc.	15,305	13,965
Total current assets	270,686	234,337

STANHOME INC. (DEC)

	1994	1993
Current Assets:		
Cash (including interest bearing demand deposits) . . .	$14,027,093	$20,870,000
Certificates of deposit and time deposits	5,322,746	32,463,754
Marketable securities, at cost (which approximates market value)	2,000	7,392,380
Notes and accounts receivable, net	140,696,603	123,018,073
Inventories	116,015,060	94,877,441
Prepaid advertising	40,099,913	30,946,289
Other prepaid expenses	6,513,723	4,783,884
Total current assets	322,677,138	314,351,821

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting policies:

The Company incurs prepaid advertising expense in connection with the marketing of certain of its direct response products. Such expense is amortized over the life of the associated product programs which is generally one year. The impact of adopting the AICPA's Statement of Position 93-7 ("Reporting on Advertising Costs") was immaterial to the Company as the Company was already in compliance with all the Statement's accounting provisions.

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 captions follow.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Nature of Asset				
Deferred income taxes	363	317	247	192
Property held for sale	36	36	28	35
Unbilled costs	28	20	23	24
Advances or deposits	9	10	6	10
Other—identified	29	33	29	35

Deferred Taxes

CMI CORPORATION (DEC)

(dollars in thousands)	1994	1993
Current assets:		
Cash and cash equivalents	$1,423	146
Cash equivalents — restricted	903	675
Receivables, less allowance for doubtful accounts of $602 in 1994 and $483 in 1993	17,226	9,456
Inventories:		
Finished equipment	20,278	17,819
Work-in-process	7,942	7,927
Raw materials and parts	19,344	17,262
	47,564	43,008
Prepaid expenses	121	272
Deferred tax asset	9,200	—
Total current assets	76,437	53,566
Property, plant, and equipment:		
Land	1,679	1,687
Buildings	11,189	11,075
Machinery and equipment	30,821	29,248
Other	672	648
	44,361	42,658
Less accumulated depreciation and amortization	33,208	31,889
	11,153	10,769
Long term receivables	651	9
Deferred tax asset	800	—
Other assets	703	1,018
Total assets	$89,744	65,362

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1994 and 1993, are as follows (in thousands):

	1994	1993
Net operating loss and other carryforwards:	$12,782	17,189
Income tax basis in excess of financial basis of solid waste disposal facility	7,422	7,415
Other, net	4,678	5,214
Deferred tax assets	24,882	29,818
Deferred tax liability—plant and equipment	(1,735)	(1,714)
	23,147	28,104
Less valuation allowance	13,147	28,104
Net deferred tax asset	$10,000	—

During 1994, the Company reduced the valuation allowance to reflect the deferred tax assets utilized in 1994 to reduce current income taxes (approximately $5 million) and to recognize a deferred tax asset of $10 million. The recognized deferred tax asset is based upon expected utilization of net operating loss carryforwards and reversal of certain temporary differences. The ultimate realization of the deferred tax asset will require aggregate taxable income of approximately $25 million to $30 million in future years. Estimated taxable income for 1994 before utilization of net operating loss carryforwards was approximately $13 million.

The Company has assessed its past earnings history and trends, sales backlog, budgeted sales, and expiration dates of carryforwards and has determined that it is more likely than not that $10 million of deferred tax assets will be realized. The remaining valuation allowance of $13,147,000 is maintained on deferred tax assets which the Company has not determined to be more likely than not realizable at this time. The Company will continue to review this valuation allowance on a quarterly basis and make adjustments as appropriate.

At December 31, 1994, the Company has a tax net operating loss carryforward of approximately $24,238,000 for federal income tax purposes. Such carryforwards, which may provide future tax benefits, expire as follows: $6,038,000 in 1999, $186,000 in 2001, $4,932,000 in 2004, $8,272,000 in 2005, and $4,810,000 in 2006. Future changes in ownership, as defined by section 382 of the Internal Revenue Code, could limit the amount of net operating loss carryforwards used in any one year (see note 4).

GENERAL SIGNAL CORPORATION (DEC)

(In millions)	1994	1993
Current assets:		
Cash and cash equivalents	$ 0.3	$ 1.3
Accounts receivable	258.3	255.5
Inventories	213.3	196.3
Prepaid expenses and other current assets	44.5	55.5
Assets held for sale at estimated realizable value	153.6	25.7
Deferred income taxes	47.2	60.3
Total current assets	717.2	594.6
Property, plant and equipment	280.5	263.4
Intangibles	194.3	184.2
Other assets	134.5	134.3
Deferred income taxes	16.1	48.4
Total assets	$1,342.6	$1,224.9

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

Income taxes (In Part)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's deferred tax assets and liabilities are as follows:

	1994	1993
Deferred tax assets:		
Acquired tax benefits and basis differences	$ 52.0	$ 58.4
Other postretirement and postemployment benefits	70.0	73.1
Losses on dispositions and restructuring	21.0	27.6
Inventory	15.1	14.0
NOL and credit carryforwards	46.0	27.8
Other	24.1	23.0
Total deferred tax assets	228.2	223.9
Valuation allowance	(43.2)	(43.2)
Net deferred tax assets	185.0	180.7
Deferred tax liabilities:		
Accelerated depreciation	28.8	29.8
Pension credits	34.0	24.2
Reliance gain	19.8	—
Discontinued operations	23.0	—
Other	16.1	18.0
Total deferred tax liabilities	121.7	72.0
	$ 63.3	$108.7

Based on management's assessment, it is more likely than not that the net deferred tax assets will be realized through future taxable earnings or alternative tax strategies. In the event that the tax benefits relating to the valuation allowance are subsequently realized, $6.6 of such benefits would reduce goodwill.

At December 31, 1994, the company had the following net federal operating loss and tax credit carryforwards available:

Expiration Dates	Operating Losses	Tax Credits
1995 - 1996	$ —	$ 8.7
1997 - 1998	6.4	15.6
1999 - 2000	35.4	3.7
2001 - 2002	31.8	—
No expiration	—	2.7

QUANEX CORPORATION (OCT)

(In thousands)	1994	1993
Current assets:		
Cash and equivalents	$ 34,041	$ 42,247
Short-term investments	54,070	47,655
Accounts and notes receivable, less allowance for doubtful accounts of $3,593 in 1994 and $2,025 in 1993	83,082	72,266
Inventories	81,800	76,899
Deferred income taxes (Note 3)	6,114	3,875
Prepaid expenses	289	468
Total current assets	259,396	243,410
• • • • • •		
Total current liabilities	$134,751	$ 95,072
Long-term debt	107,442	128,476
Deferred pension credits	15,810	13,923
Deferred postretirement welfare benefits	50,742	47,559
Deferred income taxes (Note 3)	23,014	18,061

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At October 31, 1994 and 1993, $6,144,000 and $3,875,000, respectively, of deferred tax assets were classified as current assets. Significant components of the Company's net deferred tax liability are as follows:

	October 31,	
(In thousands)	1994	1993
Deferred tax liability:		
Property, plant and equipment	$38,406	$38,690
Inventory	3,885	1,951
Other	8,547	4,917
	50,838	45,558
Deferred tax assets:		
Postretirement benefit obligation	19,786	18,546
Other employee benefit obligations	8,647	8,149
Other accrued liabilities	5,505	4,677
	33,938	31,372
Net deferred tax liabilities	$16,900	$14,186

Property Held For Sale

EG&G, INC. (DEC)

(Dollars in thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$ 66,424	$ 72,185
Accounts receivable	226,268	225,643
Inventories	123,299	121,581
Other	56,635	33,760
Net assets of discontinued operations (Note 5)	8,852	7,942
Total Current Assets	481,478	461,111

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Discontinued Operations

During the third quarter of 1994, the Company announced a plan to exit the DOE business and decided not to seek renewal of its four remaining contracts with the DOE although it intends to continue to meet its obligations under the terms and conditions of the present contracts. The Company will not compete for management and operations contracts at other DOE facilities. Accordingly, the Company is reporting the results of the former DOE Support segment as discontinued operations for all periods presented in the consolidated financial statements.

The Company's remaining management and operations contracts with the DOE expire as follows:

Reynolds Electrical and Engineering Co., Inc.—December 31, 1995

EG&G Energy Measurements, Inc.—December 31, 1995

EG&G Rocky Flats, Inc.—December 31, 1995

EG&G Mound Applied Technologies, Inc.—September 30, 1996

Expiration dates may be modified by the DOE in accordance with contract terms. The DOE has notified the Company of its intention to expedite the procurement and award of the Rocky Flats contract, which may result in termination of the Company's contract prior to the expiration date.

Summary operating results of the discontinued operations were as follows:

(In thousands)	1994	1993	1992
Sales	$1,300,064	$1,378,532	$1,468,741
Costs and expenses	1,259,369	1,340,149	1,409,629
Income from discontinued operations before income taxes	40,695	38,383	59,112
Provision for income taxes	14,243	13,434	20,098
Income from discontinued operations, net of income taxes	$ 26,452	$ 24,949	$ 39,014

Given the nature of the government contracts, the Company does not anticipate incurring any material loss on the ultimate completion of the contracts.

Net assets of discontinued operations consisted primarily of unbilled accounts receivable, $15.7 million at January 1, 1995 and $12 million at January 2, 1994, net of operating liabilities.

THE EASTERN COMPANY (DEC)

	1994	1993
Current Assets		
Cash and cash equivalents	$ 2,610,244	$ 2,479,998
Accounts receivable, less allowances ($330,024 in 1994 and $363,320 in 1993)	9,665,164	8,294,946
Land held for sale	1,018,111	—
Inventories:		
Raw materials and component parts	4,286,546	4,523,426
Work in process	1,670,603	2,764,785
Finished goods	3,573,397	3,904,355
	9,530,546	11,192,566
Prepaid expenses	1,357,262	699,687
Deferred income taxes	664,600	713,900
Total Current Assets	24,845,927	23,381,097

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Discontinued Operations

In December 1991, the Board of Directors approved a plan to discontinue the Company's high-alloy stainless steel castings business. In January 1992, the Company sold the remaining machinery and equipment for $200,000. The remaining asset (classified as land held for sale in 1994) is stated at its approximate net realizable value and will be disposed of in 1995.

W. R. GRACE & CO. (DEC)

Dollars in millions	1994	1993
Current Assets		
Cash and cash equivalents	$ 78.3	$ 47.6
Notes and accounts receivable, net	975.7	657.4
Inventories	514.2	441.0
Net assets of discontinued operations (Note 6)	335.6	761.3
Deferred income taxes	295.4	134.1
Other current assets	29.7	36.2
Total Current Assets	2,228.9	2,077.6

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

6 (In Part): Discontinued Operations

Cocoa, Battery Separators and Engineered Materials and Systems

Grace's battery separators business; certain engineered materials businesses, principally its printing products, material technology, and electromagnetic radiation control businesses (collectively, EMS); and its cocoa business and other non-core businesses were classified as discontinued operations in the second quarter of 1993. At that time, a provision of $105.0 (net of an applicable tax benefit of $22.3) was recorded to reflect the losses expected on the divestment of these businesses. During 1994, Grace sold its battery separators business and substantially all of EMS for gross proceeds of $316.2. In February 1995, Grace sold its composite materials business, leaving its microwave business as the remaining EMS business to divest. Total proceeds received from the divestment of these businesses approximated prior estimates.

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For financial reporting purposes, the assets, liabilities, results of operations and cash flows of Grace Cocoa Associates, L.P. (LP) are included in Grace's consolidated financial statements as a component of discontinued operations, and the outside investors' interest in LP is reflected as a minority interest in the Consolidated Balance Sheet. See Note 12 for a further discussion of LP.

Grace is pursuing the divestment of its cocoa business, its remaining EMS business and other investments, and expects to conclude such transactions in 1995. Net assets of Grace's discontinued operations (excluding intercompany assets) at December 31, 1994 are as follows:

	Cocoa	Other	Total
Current Assets	$ 276.3	$ 21.5	$ 297.8
Properties and equipment, net	185.4	38.2	223.6
Investments in and advances to affiliated companies	—	38.7	38.7
Other assets	42.6	16.7	59.3
Total assets	504.3	115.1	619.4
Current liabilities	185.6	15.8	201.4
Other noncurrent liabilities	78.9	3.5	82.4
Total liabilities	264.5	19.3	283.8
Net assets	239.8	95.8	335.6

TEXACO INC. (DEC)

(Millions of dollars)	1994	1993
Current Assets		
Cash and cash equivalents	$ 404	$ 488
Short-term investments—at fair value	60	48
Accounts and notes receivable (includes receivables from significant affiliates of $142 million in 1994 and $199 million 1993), less allowances for doubtful accounts of $25 million in 1994 and $28 million in 1993	3,297	3,529
Inventories	1,358	1,298
Assets under agreements for sale (see Note 3)	488	—
Net assets of discontinued operations (see Note 4)	195	1,180
Deferred income taxes and other current assets	217	322
Total current assets	6,019	6,865

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Assets Under Agreements For Sale

In 1994, Texaco announced that it agreed to sell more than 300 domestic producing fields to Apache Corporation and agreed to form a strategic alliance with STENA which involves the sale of a portion of its international marine fleet. At December 31, 1994, the net properties, plant and equipment and deferred income taxes relating to those assets, and for other non-core assets for which sales agreements have been signed, have been classified as current assets on the Consolidated Balance Sheet. These sales are expected to be completed during the first quarter of 1995.

Note 4 (In Part): Discontinued Operations

In 1993, Texaco entered into memorandums of understanding with an affiliate of the Jon M. Huntsman Group of Companies for the sale of substantially all of Texaco's worldwide chemical operations and, therefore, has accounted for these operations as discontinued operations.

On April 21, 1994, Texaco Inc., received from Huntsman Corporation $850 million on the sale of Texaco Chemical Company and related international operations, consisting of $650 million in cash and an 11-year subordinated note with a face amount of $200 million. Not included in this transaction was Texaco's worldwide lubricant additives business. On February 14, 1995, Texaco and Huntsman Corporation announced that they intend to form a joint venture to own and operate this business, which includes manufacturing facilities in Port Arthur, Texas and Ghent, Belgium, among others, as well as sales and marketing offices in various locations in the U.S. and abroad. Formation of the joint venture is expected to take place during the first half of 1995. Huntsman Corporation assumed and the joint venture shall assume current liabilities, and ongoing contractual obligations of the respective operations, while Texaco retains or shall retain the remaining obligations applicable to events occurring prior to the closing dates.

The results for chemical operations have been classified as discontinued operations for all periods presented in the Statement of Consolidated Income. The assets and liabilities of discontinued operations have been classified in the Consolidated Balance Sheets at "Net assets of discontinued operations" and as of December 31, 1994, the balance in this caption reflects the assets and liabilities of the worldwide lubricant additives business. Discontinued operations have not been segregated in the Statement of Consolidated Cash Flows and, therefore, amounts for certain captions will not agree with the respective Statement of Consolidated Income.

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Summarized balance sheet data for the discontinued operations is as follows. The difference between the net assets below at December 31, 1993 and the purchase price at that date is reflected in current liabilities in the Consolidated Balance Sheet.

(Millions of dollars) As of December 31	1994	1993
Assets		
Current Assets		
Accounts receivable	$ 31	$ 128
Inventories	30	121
Other	6	25
Total current assets	67	274
Net Properties, Plant and Equipment	148	1,025
Other Noncurrent Assets	—	9
Total	215	1,308
Liabilities		
Current Liabilities	19	109
Noncurrent Liabilities	1	19
Total	20	128
Net assets of discontinued operations	195	1,180

Unbilled Costs

CBI INDUSTRIES, INC. (DEC)

Thousands of dollars	1994	1993
Current Assets		
Cash	$ 14,013	$ 6,224
Temporary Cash Investments at cost, which approximates market	36,953	17,005
Accounts Receivable less allowances of $14,800 in 1994, $11,500 in 1993 and $8,000 in 1992	295,542	283,952
Contracts in Progress with Earned Revenues exceeding related Progress Billings (Note 1)	60,143	61,823
Inventories	73,226	63,644
Other Current Assets	37,977	38,626
	517,854	471,274

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

Revenues and related costs are recognized by Industrial Gases and Investments subsidiaries when products are shipped or services are rendered to the customer. Revenues from Contracting Services are recognized on the percentage of completion method. Earned revenue is based on the percentage that incurred costs to date bear to total estimated costs after giving effect to the most recent estimates of total cost. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the year in which these changes become known. Earned revenue reflects the original contract price adjusted for agreed upon claim and change order revenue, if any. Losses expected to be incurred on jobs in process, after consideration of estimated minimum recoveries from claims and change orders, are charged to income as soon as such losses are known. Progress billings in accounts receivable are currently due and exclude retentions until such amounts are due in accordance with contract terms.

STEWART & STEVENSON SERVICES, INC. (JAN)

(Dollars in thousands)	Fiscal 1994	Fiscal 1993
Current Assets		
Cash and equivalents	$ 3,987	$ 7,788
Accounts and notes receivable, net	186,814	147,292
Recoverable costs and accrued profits not yet billed	227,467	115,868
Inventories	295,867	269,605
Other	364	224
Total Current Assets	714,499	540,777

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

Note 3: Recoverable Costs and Accrued Profits Not Yet Billed

Amounts included in the financial statement which relate to recoverable costs and accrued profits not yet billed on contracts in process are as follows:

Dollars in thousands	Fiscal 1994	Fiscal 1993
Costs incurred on uncompleted contracts	$ 581,151	$ 355,184
Accrued profits	47,627	33,300
	628,778	388,484
Less: Customer progress payments	(412,595)	(303,704)
	216,183	84,780
Included in the statements of financial position:		
Recoverable costs and accrued profits not yet billed	227,467	115,868
Billings on uncompleted contracts in excess of incurred costs	(11,284)	(31,088)
	216,183	84,780

Recoverable costs and accrued profits related to the Tactical Vehicle Systems segment include direct costs of manufacturing and engineering and allocable overhead costs. Generally, overhead costs include general and administrative expenses allowable in accordance with the United States Government contract cost principles and are charged to cost of sales at the time revenue is recognized. General and administrative costs remaining in recoverable costs and accrued profits not yet billed amounted to $22,582 and $17,852 at January 31, 1995 and 1994, respectively. The Company's total general and administrative expense incurred amounted to $86,292, $79,290 and $70,075 in Fiscal 1994, 1993 and 1992, respectively.

The United States Government has a security interest in unbilled amounts associated with contracts that provide for progress payments.

In accordance with industry practice, recoverable costs and accrued profits not yet billed include amounts relating to programs and contracts with long production cycles, a portion of which is not expected to be realized within one year.

Deferred Advertising

DELUXE CORPORATION (DEC)

(Dollars in Thousands)	1994	1993
Current Assets		
Cash and equivalents	$ 29,139	$114,103
Marketable securities	49,109	107,705
Trade accounts receivable	142,087	123,119
Inventories:		
Raw material	25,198	18,260
Semi-finished goods	26,046	21,155
Finished goods	36,976	29,989
Supplies	15,749	15,915
Deferred advertising	27,770	26,080
Deferred income taxes	25,647	28,914
Prepaid expenses and other current assets	43,145	37,123
Total current assets	420,866	522,363

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Deferred advertising—The Company defers certain costs related to direct-response advertising of its products. Such costs are amortized over periods (generally less than 12 months) that correspond to the estimated revenue stream of the individual advertising activity. The total amount charged to expense for 1994, 1993 and 1992 was $130,512,000, $74,882,000, and $51,037,000, respectively.

Film Rights

LEE ENTERPRISES, INCORPORATED (SEP)

(Dollars In Thousands)	1994	1993
Current Assets		
Cash and cash equivalents	$ 18,784	$ 17,072
Temporary investments	38,859	45,500
Trade receivables, less allowance for doubtful accounts 1994 $4,100; 1993 $3,400	46,170	43,284
Receivables from associated companies	2,169	2,137
Inventories	13,147	11,177
Film rights and other	16,578	15,952
Total current assets	$135,707	$135,122

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 primarily on accelerated bases related to the usage of the program. The current portion of film rights represents those rights that will be amortized in the succeeding year.

Subscription Acquisition Costs

MEREDITH CORPORATION (JUN)

(in thousands)	1994	1993
Current Assets:		
Cash and cash equivalents	$ 37,957	$ 18,569
Marketable securities	12,178	21,422
Accounts receivable	93,325	92,168
Less allowances for doubtful accounts and returns	(17,469)	(16,407)
Net receivables	75,856	75,761
Inventories	34,962	32,383
Supplies and prepayments	18,509	18,206
Subscription acquisition costs	111,567	105,342
Film rental costs	7,239	15,750
Total Current Assets	298,268	287,433

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

f. Unearned Subscription Revenues and Subscription Acquisition Costs

Unearned subscription revenues and subscription acquistion costs are recorded and recognized pro rata as delivery of magazines is made, beginning with the month of initial delivery. The balance sheet classifications of both unearned subscription revenues and subscription acquisition costs are determined based on the delivery month of the subscription.

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.

TABLE 2-12: LAND CAPTIONS

	1994	1993	1992	1991
Land	372	373	367	366
Land and improvements	126	127	128	122
Land and buildings	38	36	37	35
Land combined with other identified assets	5	9	17	11
No caption with term land	28	25	21	29
	569	570	570	563
Lines of business classification	31	30	30	37
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1994	1993	1992	1991
Buildings				
Buildings	259	261	253	249
Buildings and improvements	209	209	210	211
Buildings and land or equipment	69	61	74	64
Buildings combined with other identified assets	6	11	5	7
No caption with term buildings	24	25	25	32
	567	567	567	563
Lines of business classification	33	33	33	37
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or equipment	451	454	454	447
Machinery and/or equipment combined with other assets	98	94	90	98
Construction in progress	253	253	254	251
Leasehold improvements	107	107	103	101
Leased assets	57	73	71	78
Automobiles, marine equipment, etc.	65	72	64	72
Furniture and fixtures	44	43	48	43
Assets leased to others	15	17	14	17

TABLE 2-14: ACCUMULATED DEPRECIATION

	1994	1993	1992	1991
Accumulated depreciation	320	311	303	298
Accumulated depreciation and amortization	170	170	180	175
Accumulated depreciation, amortization and depletion	32	33	30	41
Accumulated depreciation and depletion	10	12	16	15
Allowance for depreciation	40	42	38	36
Allowance for depreciation and amortization	15	17	20	16
Other captions	13	15	13	19
Total Companies	**600**	**600**	**600**	**600**

ARCHER DANIELS MIDLAND COMPANY (JUN)

(In thousands)	1994	1993
Total current assets	$3,910,795	$3,921,734
Investment and Other Assets		
Investments in and advances to affiliates	297,147	331,672
Long-term marketable securities	891,073	872,265
Other assets	109,263	63,606
	1,297,483	1,267,543
Property, Plant and Equipment		
Land	101,854	94,143
Buildings	1,029,817	907,625
Machinery and equipment	5,073,631	4,622,590
Construction in progress	455,729	377,317
Less allowances for depreciation	(3,122,456)	(2,786,841)
	3,538,575	3,214,834
	$8,746,853	$8,404,111

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Company uses the straight line method in computing depreciation for financial reporting purposes and generally uses accelerated methods for income tax purposes.

CAESARS WORLD, INC. (JUL)

(In thousands)	1994	1993
Total current assets	$ 276,841	$ 241,135
Property and equipment, net	626,740	616,393
Excess cost of investments over net assets acquired	52,671	52,916
Investments in and advances to unconsolidated affiliates	12,393	—
Other assets	49,376	45,275
	$1,018,021	$ 955,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and Equipment

Property and equipment are recorded at cost and include interest on funds borrowed to finance construction. Capitalized interest was $105,000; $37,000 and $32,000 in fiscal 1994, 1993 and 1992, respectively. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Leasehold improvements	3 to 40 years
Furniture, fixtures and equipment	2 to 10 years
Property under capital leases	5 to 20 years

Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in income.

Note 3. Property and Equipment

Property and equipment consisted of the following:

At July 31 *(In thousands)*	1994	1993
Land	$ 76,582	$ 76,470
Buildings and improvements	584,064	562,815
Leasehold improvements	86,138	80,550
Furniture, fixtures and equipment	258,807	284,574
Construction in progress	22,369	5,933
Property under capital leases	22,267	22,699
	1,050,227	1,033,041
Less accumulated depreciation and amortization	423,487	416,648
	$ 626,740	$ 616,393

THE CLOROX COMPANY (JUN)

In thousands	1994	1993
Total current assets	$504,275	$531,778
Property, Plant and Equipment—Net	532,600	538,101
Brands, Trademarks, Patents and Other Intangibles—Net	520,042	436,941
Investments in Affiliates	83,368	68,179
Other Assets	57,284	47,231
Total	$1,697,569	$1,649,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Property, Plant and Equipment

The major classes are (in thousands):

	1994	1993
Land and improvements	$ 59,005	$ 57,594
Buildings	261,964	262,198
Machinery and equipment	495,903	443,157
Construction in progress	33,650	51,304
Total	850,522	814,253
Less accumulated depreciation	317,922	276,152
Net	$532,600	$538,101

Property, plant and equipment are stated at cost, reduced in certain cases by valuation allowances. Depreciation is calculated by the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was $61,660,000 in 1994, $51,532,000 in 1993 and $44,467,000 in 1992.

COURIER CORPORATION (SEP)

Total current assets	$32,548,000	$30,042,000
Property, plant and equipment		
Land	2,516,000	2,516,000
Buildings and improvements	13,298,000	13,157,000
Favorable building lease	2,816,000	2,816,000
Machinery and equipment	58,454,000	57,055,000
Furniture and fixtures	1,521,000	1,453,000
Construction in progress	924,000	472,000
	79,529,000	77,469,000
Less-Accumulated depreciation and amortization	(52,110,000)	(46,513,000)
Net property, plant and equipment	27,419,000	30,956,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment: Property, plant and equipment are recorded at cost, including interest on funds borrowed to finance the acquisition or construction of major capital additions. No interest was capitalized in any of the three years ended September 24, 1994. The Company provides for depreciation of plant and equipment on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	3 to 11 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. A favorable building lease is being amortized over the life of the lease which expires in 2005. Expenditures for maintenance and repairs are charged against income as incurred; betterments which increase the value or materially extend the life of the related assets are capitalized. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

DUPLEX PRODUCTS INC. (OCT)

(In thousands)	1994	1993
Total current assets	$105,156	$108,584
Property, plant and equipment—net (note 4)	37,000	44,511
Other assets	4,052	2,964
Total assets	$146,208	$156,059

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

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

Depreciation and Amortization. For financial reporting purposes, the cost of plant and equipment is depreciated primarily using the straight-line method over the estimated useful lives of the assets. Depreciation for income tax purposes is computed using accelerated methods.

Note 4—Property, Plant, and Equipment

	Oct. 29, 1994	Oct. 30, 1993
Original cost		
Land, improvements, and leaseholds	$ 2,393	$ 3,476
Buildings	25,944	31,238
Machinery and equipment	72,834	74,267
	101,171	108,981
Less accumulated depreciation and amortization	(64,171)	(64,470)
	$ 37,000	$44,511

Fixed assets ($1,333) which were idle as of October 29, 1994 were classified as other assets.

GENCORP INC. (NOV)

(Dollars in millions)	1994	1993
Total current assets	$ 421	$ 437
Investments and other assets	468	233
Property, plant and equipment, at cost		
Land	40	35
Buildings and building equipment	310	303
Machinery and equipment	907	925
Construction in progress	37	36
	1,294	1,299
Accumulated depreciation	(728)	(756)
Net property, plant and equipment	566	543
Total assets	$1,455	$1,213

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment—Refurbishment costs are capitalized in the property accounts whereas ordinary maintenance and repair costs are expensed as incurred. Depreciation for financial reporting is computed principally by accelerated methods for the aerospace and defense business segment and by the straight-line method for the remainder of the Company.

HARSCO CORPORATION (DEC)

(In thousands, except share amounts)	1994	1993
Total current assets	$ 536,759	$ 600,105
Property, plant and equipment, net	434,968	491,655
Cost in excess of net assets of business acquired, less accumulated amortization ($25,912 and $13,995)	213,480	221,082
Investments	43,711	61,079
Investment in unconsolidated entities	32,312	5,920
Other assets	53,419	47,771
	$1,314,649	$1,427,612

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 depreciated over the estimated useful lives of the assets using principally the straight-line method. When property is retired from service, generally the cost of the retirement is charged to the allowance for depreciation to the extent of the accumulated depreciation thereon and the balance is charged to income.

5. Property, Plant and Equipment

Property, plant and equipment, net, consists of the following:

(In thousands)	1994	1993
Land and improvements	$ 24,955	$ 27,205
Buildings and improvements	110,190	142,971
Machinery and equipment	820,868	857,941
Uncompleted construction	28,917	32,612
	984,930	1,060,729
Less allowance for depreciation	549,962	569,074
	$434,968	$491,655

The estimated useful lives of these assets are:

Classification	Expected Useful Lives
Land improvements	10 years
Buildings and improvements	10 to 50 years
Certain plant, buildings and installations (Principally Metal Reclamation and Mill Services Group)	5 to 25 years
Machinery and equipment	3 to 25 years

INVESTMENTS IN DEBT AND EQUITY SECURITIES

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 not accounted for by the equity method. Effective for fiscal years beginning after December 15, 1993, *Statement of Financial Accounting Standards No. 115* requires that, except for debt securities classified as "held-to-maturity securities," investments in debt and equity securities should be reported at fair value. *SFAS No. 115* supersedes *SFAS No. 12* which required investments in marketable equity securities (as defined in the Statement) to be reported at lower of aggregate cost or market value.

SFAS No. 105 defines investments in equity and debt securities as financial instruments. *SFAS No. 107* requires that the fair value of such financial instruments, except those accounted for by the equity method, be disclosed. *SFAS No. 107* currently applies only to entities having total assets of $150 million or more. Effective for fiscal years ending after December 15, 1995, *SFAS No. 107* will also apply to companies having total assets of less than $150 million.

131 survey companies made 180 references to fair value of debt and equity securities classified as noncurrent assets. For example, a company might disclose that the basis for estimating the fair value of certain securities was market quotes while for other securities it was not practicable to estimate fair value. The references to fair value made by the survey companies included 19 references to the fact that it was not practicable to estimate fair value, 41 references to the fact that fair value approximated carrying amount, 82 references to the fact that fair value was based on market quotes, and 38 references to the fact that fair value was based on discounted cash flows.

Table 2-15 lists the balance sheet carrying bases for investments presented as noncurrent assets. Examples of presentations for such investments follow.

TABLE 2-15: INVESTMENTS—CARRYING BASES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Equity	252	242	238	233
Cost	86	85	101	78
Lower of cost or market	9	27	23	18
Fair value	53	10	—	—

Equity Method

CARPENTER TECHNOLOGY CORPORATION (JUN)

Consolidated Balance Sheet

(in thousands)	1994	1993
Total current assets	$171,170	$216,695
Property, plant and equipment, net	391,840	391,129
Prepaid pension cost	73,185	61,602
Investment in joint venture	48,576	—
Other assets	45,140	30,139
Total assets	$729,911	$699,565

Consolidated Statement of Income

(in thousands)	1994	1993	1992
Net sales	$628,795	$576,248	$570,200
Costs and expenses:			
Cost of sales	458,473	436,057	439,785
Selling and administrative expenses	92,525	82,214	80,829
Interest expense	15,521	20,594	19,637
Equity in loss of joint venture	910	—	—
Special charge	—	—	7,500
Other income, net	(1,362)	(5,416)	(378)
	566,067	533,449	547,373
Income before income taxes, extraordinary charges and cumulative effect of changes in accounting principles	62,728	42,799	22,827

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment in Joint Venture

On September 2, 1993, the Company acquired for $45.0 million in cash, 19 percent of the shares of Walsin-CarTech Specialty Steel Corporation, a joint venture with Walsin Lihwa Corporation in Taiwan. The joint venture has constructed a facility and installed equipment in this facility in Taiwan to manufacture and distribute specialty steel. The Company has an option to acquire up to an additional 16 percent of the outstanding shares of the joint venture from Walsin Lihwa at any time until July 1, 1996. Alternatively, the Company may require Walsin Lihwa to purchase its 19 percent ownership for the original purchase cost at any time up to July 1, 1997.

This investment is being accounted for using the equity method of accounting. The investment account has been increased for interest costs capitalized during the preoperating period, totaling $3.6 million, and for acquisition costs. The Company's share of the joint venture's foreign currency translation adjustments is reflected in both the investment account and shareholders' equity on the consolidated balance sheet.

Condensed financial information of the joint venture for fiscal 1994 is summarized below:

(in thousands)	
Condensed Financial Information:	
Current assets	$17,334
Non-current assets	$277,878
Current liabilities	$62,331
Shareholders' equity	$232,881
Loss for the year	$4,789

A separate agreement also provides for the Company to provide marketing and technical assistance to the joint venture in exchange for an initial lump sum royalty payment of $10.0 million, received in October 1993, and continuing royalties based on sales over the 10-year term of the agreement. The initial lump sum royalty has been deferred and is being recognized as income over the term of the agreement.

In addition, the joint venture and the Company entered into distribution agreements establishing the joint venture as the exclusive distributor of the Company's Steel Division products in countries throughout Asia and the Company as the exclusive distributor of the joint venture's products in North, Central and South America.

ENGELHARD CORPORATION (DEC)

Consolidated Balance Sheets

(in thousands)	1994	1993
Total current assets	$ 573,637	$ 516,580
Investments	112,855	97,147
Property, plant and equipment, less accumulated depreciation, depletion and amortization	540,361	494,440
Other noncurrent assets	213,906	170,931
Total assets	$1,440,759	$1,279,098

Consolidated Statements of Earnings

(in thousands)	1994	1993	1992
Net sales	$2,385,802	$2,150,865	$2,399,749
Cost of sales	1,970,563	1,794,438	2,033,012
Gross profit	415,239	356,427	366,737
Selling, administrative and other expenses	244,611	213,018	224,093
Special charge (credit)	(8,000)	148,000	—
Earnings (loss) from operations	178,628	(4,591)	142,644
Gain on sale of investment	—	10,145	—
Equity in earnings of affiliates	632	3,433	7,445

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investments

The Company has investments in affiliates that are accounted for on the equity method. The most significant of these investments is N.E. Chemcat Corporation (N.E. Chemcat), a 38.8 percent owned, publicly-traded Japanese corporation and a leading producer of automotive and chemical catalysts, electronic chemicals and other precious-metals-based products. At December 31, 1994, the quoted market value of the Company's investment in N.E. Chemcat was in excess of $200 million. The valuation represents a mathematical calculation based on a closing quotation published by the Tokyo over-the-counter market and is not necessarily indicative of the amount that could be realized upon sale.

In the first quarter of 1993, the Company sold its investment in M&T Harshaw to its partner for $40 million in cash with the buyer assuming all assets and liabilities. As a result, the Company realized an after-tax gain of $6.3 million ($.06 per share).

The summarized unaudited financial information below represents an aggregation of the Company's nonsubsidiary affiliates:

Financial Information (unaudited)

(in millions)	1994	1993	1992
Earnings data			
Revenue	$348.1	$327.3	$445.5
Gross profit	62.0	55.4	120.3
Net earnings	6.4	10.4	18.3
Company's equity in net earnings	.6	3.4	7.4
Balance sheet data			
Current assets	$231.2	$222.3	
Noncurrent assets	123.5	103.0	
Current liabilities	103.1	103.4	
Noncurrent liabilities	18.8	15.6	
Net assets	232.8	206.3	
Company's equity in net assets	105.5	90.5	

The Company's share of undistributed earnings of affiliated companies included in consolidated retained earnings was $41.8 million at December 31, 1994. Dividends from affiliated companies were $3.8 million in 1994, $2.6 million in 1993 and $3.1 million in 1992.

The Company has other investments, including an investment in precious metal, that are accounted for at cost.

PENTAIR, INC. (DEC)

Consolidated Balance Sheets

(In thousands)	1994	1993
Total Current Assets	$569,219	$438,780
Property, Plant and Equipment		
Land and Land Improvements	25,261	14,857
Buildings	124,491	74,074
Machinery and Equipment	599,298	506,566
Construction in Progress	15,358	26,120
Total	764,408	621,617
Less Accumulated Depreciation	353,422	305,751
Property, Plant and Equipment	410,986	315,866
Marketable Securities—Insurance Subsidiary	23,655	18,594
Investment in Joint Ventures	81,102	72,867
Goodwill—Net	170,965	88,970
Other Assets	25,569	23,724
Total Assets	$1,281,496	$958,801

Consolidated Statements of Income

(In thousands)	1994	1993	1992
Net Sales	$1,649,170	$1,328,180	$1,238,724
Operating Costs			
Cost of Goods Sold	1,240,262	1,004,471	937,232
Selling, General and Administrative	279,313	214,274	199,761
Research and Development	12,125	9,322	9,374
Total Operating Costs	1,531,700	1,228,067	1,146,367
	117,470	100,113	92,357
Equity in Joint Venture Income (Loss)	1,779	(1,920)	1,682
Operating Income	119,249	98,193	94,039

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 joint ventures (See Note 16).

16. Joint Ventures–Lake Superior Paper Industries (LSPI) is a 50/50 joint venture that manufactures paper in Duluth, Minnesota. LSPI Fiber Co. is a 50/50 joint venture that owns 24% of a recycled pulp mill adjacent to the LSPI facility. For federal income tax purposes, one-half of LSPI and LSPI Fiber Co. taxable income and tax credits are included in the company's consolidated tax return.

The combined financial data is summarized as follows:

In Thousands, Years Ended December 31	1994	1993	1992
Operations			
Net Sales	$164,356	$143,837	$150,251
Operating Income	7,346	(892)	5,434
Pretax Income	3,639	(3,837)	3,363

In Thousands, December 31	1994	1993
Balance Sheet		
Current Assets	$53,144	$54,765
Property—Net	81,393	81,855
Other Assets	91,605	78,191
Total Assets	$226,142	$214,811
Liabilities	$33,165	$36,594
Deferred Gain	30,776	32,486
Joint Venture Investment		
Subordinated Notes	69,237	61,000
Capital Contribution	49,719	45,042
Undistributed Earnings	43,245	39,689
Total Liabilities and Equity	$226,142	$214,811

THE PROMUS COMPANIES INCORPORATED (DEC)

Consolidated Balance Sheets

(In thousands)	1994	1993
Total current assets	$ 171,835	$ 139,842
Land, buildings, riverboats and equipment		
Land and land improvements	228,232	182,072
Buildings, riverboats and improvements	981,647	895,362
Furniture, fixtures and equipment	392,741	339,046
	1,602,620	1,416,480
Less: accumulated depreciation	(472,779)	(414,978)
	1,129,841	1,001,502
Net assets of discontinued hotel operations	143,008	180,522
Investments in and advances to nonconsolidated affiliates (Note 15)	116,932	31,881
Deferred costs and other	176,349	174,211
	$1,737,965	$1,527,958

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

Note 3 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Promus and its subsidiaries after elimination of all significant intercompany accounts and transactions. Investments in 50% or less owned companies and joint ventures over which Promus has the ability to exercise significant influence are accounted for using the equity method. Promus reflects its share of income before interest expense of these nonconsolidated affiliates in revenues. Promus' proportionate share of interest expense of such nonconsolidated affiliates is included in interest expense (see Note 15).

Note 15. Nonconsolidated Affiliates

Harrah's Jazz Company.A Promus subsidiary owns an approximate 53% equity interest in Harrah's Jazz Company (Harrah's Jazz), the partnership developing the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. One of Promus' partners in Harrah's Jazz has an option to purchase an additional equity interest of approximately 14.6% from Promus for $33.3 million at any time until 120 days after opening of the temporary casino. Due to the existence of this option, the pursuit by the partner of the necessary funding to exercise the option and the resulting likelihood of the option being exercised, Promus' ownership of a majority interest in Harrah's Jazz is expected to be temporary and voting control of the partnership in any event continues to be shared equally by each partner during the option period. As a result, Harrah's Jazz is not consolidated in Promus' financial statements.

Summarized balance sheet and income statement information for Harrah's Jazz, which Promus accounted for using the equity method, as of December 31, 1994 and 1993, and for the period from November 29, 1993 (date of inception) through December 31, 1993, and the year ended December 31, 1994 were as follows:

	1994	1993
Summarized Balance Sheet Information		
Current assets	$454,295	$ 347
Land, buildings and equipment, net	69,608	47,887
Other assets	141,488	39,539
Total assets	665,391	87,773
Current liabilities	23,894	4,358
Long-term debt	510,000	65,376
Total liabilities	533,894	69,734
Net assets	$131,497	$ 18,039

	Year Ended December 31, 1994	Inception through December 31, 1993
Summarized Statements of Operations		
Revenues	$ 291	$ 50
Operating loss	$ (23,891)	$ (6,167)
Net loss	$ (29,201)	$ (6,302)

The estimated cost of the project is $815 million, of which approximately $251 million had been incurred as of December 31, 1994, and is being financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino to be operated by Harrah's Jazz during construction of the permanent casino. If the funds available from these sources are insufficient to meet the costs of developing, constructing and opening the temporary and permanent casinos, Promus has agreed to loan Harrah's Jazz the funds necessary to complete the project, subject to certain important conditions and exceptions, in exchange for a $12.2 million fee to be paid by Harrah's Jazz.

Other. Condensed financial information relating to a foreign casino property currently under development and a restaurant subsidiary has not been presented since their operating results and financial position are not material to Promus either individually or in the aggregate.

Promus' share of nonconsolidated affiliates' net income (losses), including Harrah's Jazz, is reflected in the accompanying Consolidated Statements of Income as follows:

	1994	1993	1992
Pre-interest operating (loss) income (included in Revenue—other)	$(10,535)	$ 89	$ (167)
Interest expense (included in Interest expense)	$ (1,959)	$ —	$ —
Promus' investments in and advances to nonconsolidated affiliates			
At Equity:			
Harrah's Jazz	$ 74,385	$ 8,154	
Other	18,320	228	
At cost	24,227	23,499	
	$116,932	$31,881	

TWIN DISC, INCORPORATED (JUN)

Consolidated Balance Sheets

(In thousands)	1994	1993
Total current assets	$ 80,410	$ 77,532
Property, plant and equipment, net	36,676	37,560
Investment in affiliate	9,569	8,514
Deferred income taxes	4,584	4,748
Intangible pension asset	9,606	5,744
Other assets	3,071	2,807
	$143,916	$136,905

Consolidated Statements of Operations

(In thousands)	1994	1993	1992
Net sales	$141,193	$139,403	$136,255
Cost of goods sold	113,404	112,197	111,692
Gross profit	27,789	27,206	24,563
Operating expenses:			
Marketing, engineering and administrative expenses	22,840	22,015	22,288
Restructuring costs	—	1,072	262
Earnings from operations	4,949	4,119	2,013
Other income (expense):			
Interest income	173	158	265
Interest expense	(733)	(782)	(1,886)
Equity in earnings of affiliate	522	264	361
Gain on sale of subsidiary	—	—	698
Other, net	56	265	400
	18	(95)	(162)
Earnings before income taxes and cumulative effect of accounting changes	4,967	4,024	1,851

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Investment In Affiliate—The Company's 25% ownership of Niigata Converter Company, Ltd., a Japanese manufacturer of power transmission equipment, is stated at cost, adjusted for its equity in undistributed earnings since acquisition and the effects of foreign currency translation.

E. Investment in Affiliate

Undistributed earnings of the foreign affiliate included in consolidated retained earnings approximated $3,980,000 and $3,799,000 at June 30, 1994 and 1993, respectively. Following is a summary of condensed unaudited financial information pertaining to Niigata Converter Company, Ltd.:

	March 31	
(In thousands)	1994	1993
Current assets	$ 88,777	$ 80,860
Other assets	30,804	28,229
	$119,581	$109,089
Current liabilities	$ 75,281	$ 71,466
Other liabilities	6,022	3,565
Shareholders' equity	38,278	34,058
	$119,581	$109,089

	Year ended March 31		
	1994	1993	1992
Net sales	$152,728	$129,734	$128,466
Gross profit	21,864	16,627	17,367
Net earnings	2,087	1,054	1,442

In July 1994, the Company acquired a minority interest in Palmer Johnson Distributors, LLC, a major distributor of Twin Disc products.

WORTHINGTON INDUSTRIES, INC. (MAY)

Consolidated Balance Sheets

(Dollars in thousands)	1994	1993
Total Current Assets	$413,116	$363,513
Investment in Unconsolidated Affiliates	51,961	17,945
Other Assets	25,935	19,359
Property, Plant and Equipment		
Land	9,765	9,765
Buildings	109,724	103,618
Machinery and equipment	390,685	363,573
Construction in progress	21,375	11,965
	531,549	488,921
Less accumulated depreciation	223,988	195,529
	307,561	293,392
Total Assets	$798,573	$694,209

Consolidated Statements of Earnings

(In thousands)	1994	1993	1992
Net sales	$1,285,134	$1,113,242	$971,346
Cost of goods sold	1,093,350	938,342	820,587
Gross Margin	191,784	174,900	150,759
Selling, general and administrative expense	72,372	68,809	62,402
Operating Income	119,412	106,091	88,357
Other income (expense):			
Miscellaneous income	389	598	1,289
Interest expense	(3,017)	(3,421)	(3,986)
Equity in net income of unconsolidated affiliates	18,851	4,587	5,440
Earnings Before Income Taxes and Equity in Cumulative Effect of Accounting Changes	135,635	107,855	91,100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J. Investment in Unconsolidated Affiliates

The Company's investments in affiliated companies which are not majority owned or controlled are accounted for using the equity method. Investments carried at equity and the percentage interest owned consist of Worthington Specialty Processing (50%), London Industries, Inc. (60%), Worthington Armstrong Venture (50%), TWB Company (50%) and Rouge Steel Company (28%).

During 1994, the Company increased its voting ownership in Rouge, an integrated steel mill located in Detroit, Michigan. Accordingly, the Company changed its method of carrying the investment from cost to equity as required by generally accepted accounting principles. The financial statements of prior years have been restated back to fiscal 1990, the year of the original investment in Rouge. The effect of the restatement was to increase 1993 net income by $1,745,000 or $.02 per share and to decrease 1992 net income by $562,000 or $.01 per share. Included in the 1992 restatement was equity in Rouge's cumulative effect of adopting FASB Statements 106 and 109, which decreased net income by $3,058,000 or $.03 per share. Certain reclassifications were made to prior years' amounts to conform with the 1994 presentation.

The Company's equity interest in Rouge for the restatement periods is shown at 25%. After Rouge's initial public offering (IPO), completed in April 1994, the Company's equity interest is 28%. Rouge sold 5,601,800 shares in the IPO for $123,000,000. The Company recorded its increased equity in Rouge from the IPO ($10,046,000), which is net of deferred income taxes ($5,405,000), as additional paid-in capital. The market value of the Company's investment in Rouge at May 31, 1994, was approximately $156 million.

At May 31, 1994, the Company's share of the underlying net assets of Rouge exceeded the investment by $10,667,000. The excess is being amortized into income by increasing equity in net income of unconsolidated affiliates using the straight-line method over 14 years.

Financial information for affiliated companies accounted for by the equity method is as follows:

In thousands	1994	1993	1992
Current assets	$ 514,407	$ 363,745	
Noncurrent assets	153,937	123,550	
Current liabilities	267,372	168,741	
Noncurrent liabilities	166,862	256,923	
Minority interests	21,199	9,857	
Net sales	1,189,470	1,070,560	$984,572
Gross margin	106,309	58,700	48,491
Income before accounting changes	64,152	15,887	17,783
Net income	64,152	15,887	(1,470)

The Company's share of undistributed earnings of unconsolidated affiliates included in consolidated retained earnings was $24,571,000 at May 31, 1994.

Cost

ECHLIN INC. (AUG)

(In thousands)	1994	1993
Total current assets	$ 912,843	$ 738,845
Property, plant and equipment:		
Land	23,613	19,029
Buildings	160,960	121,593
Machinery and equipment	646,087	531,119
Property, plant and equipment, at cost	830,660	671,741
Accumulated depreciation	(386,494)	(342,360)
Property, plant and equipment, net	444,166	329,381
Marketable securities	115,549	90,002
Other assets	104,848	105,033
Total assets	$1,577,406	$1,263,261

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Marketable Securities—Marketable securities consist principally of investments in mortgage-backed securities held by Echlin's subsidiary in Puerto Rico, which are carried at cost and will be held to maturity. The aggregate market value of securities held at August 31, 1994 and 1993 were $120,782,000 and $93,566,000, respectively.

ELCOR CORPORATION (JUN)

($ in thousands)	1994	1993
Total current assets	$ 61,177	$ 61,125
Property, Plant and Equipment, at Cost		
Land	2,155	904
Buildings	8,792	8,283
Machinery and equipment	57,013	55,243
Construction in progress	13,367	711
	81,327	65,141
Less—Accumulated depreciation	(50,550)	(46,821)
Property, plant and equipment, net	30,777	18,320
Investments	5,378	—
Net Assets of Discontinued Operations—Noncurrent	7,230	8,096
Other Assets	3,671	2,196
	$108,233	$ 89,737

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments

In March 1994, the Company sold substantially all operating assets of its solid waste baler manufacturing subsidiary in exchange for $5,378,000 of convertible preferred stock of Amdura Corporation, a public company whose common shares are traded on the New York Stock Exchange. Each of the 2,151 shares of preferred stock is convertible into 1,000 shares of Amdura common stock; pays an annual divided of $100 per share; and will automatically convert to common stock on March 31, 1997, if not converted sooner by the Company. The Company plans to hold these securities for future sale and believes that such securities are recorded at their fair values as of the balance sheet date.

FANSTEEL INC. (DEC)

	1994	1993
Total Current Assets	$38,482,569	$53,464,689
Net Assets of Discontinued Operations	522,637	522,637
Property, Plant and Equipment		
Land	872,641	872,641
Buildings	8,721,261	8,721,261
Machinery and equipment	43,305,113	41,798,514
	52,899,015	51,392,416
Less accumulated depreciation	43,535,103	41,731,258
Net Property, Plant and Equipment	9,363,912	9,661,158
Other Assets		
Marketable securities	15,001,512	—
Prepaid pension asset	7,942,741	7,789,566
Deferred income taxes	175,476	365,832
Property held for sale	1,361,008	1,453,810
Other	31,063	33,642
Total Other Assets	24,511,800	9,642,850
	$72,880,918	$73,291,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Effective January 1, 1994, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly for 1994, marketable securities are classified as held-to-maturity or available-for-sale. The Company determines the appropriate classification at time of purchase and reevaluates such designation as of each balance sheet date. Securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at cost, adjusted for amortization of premiums and discounts to maturity. Marketable securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. The cost of securities available-for-sale is adjusted for amortization of premiums and discounts to maturity. Interest and amortization of premiums and discounts for all securities are included in interest income. Realized gains and losses are included in other income. Application of this standard did not have a significant impact on the Company's results of operations. In accordance with Statement No. 115, the Company has not restated the financial statements for prior years. For 1993, marketable securities are carried at cost plus accrued interest and amortized discount, where applicable.

2. Marketable Securities

At December 31, 1994, the Company held investments in marketable securities which it classified as either available-for-sale or held-to-maturity, depending upon the security.

Securities classified as available-for-sale at December 31, 1994 included both securities due within one year and securities with maturity dates beyond one year. Securities with a maturity date within one year are classified as Marketable Securities as a part of Current Assets and are stated at fair value plus accrued interest. Securities with a maturity date beyond one year are included in Other Non-Current Assets and are stated at fair value. These available-for-sale securities at December 31, 1994 included the following:

	Amortized Cost	Fair Value
Marketable Securities—Current:		
Northern Trust Advantage investment portfolio consisting of government securities and municipal bonds	$ 35,599	$35,599
Accrued interest	257,768	257,768
	$ 293,367	293,367
Marketable Securities—Non-Current:		
Northern Trust Advantage investment portfolio consisting of government securities and municipal bonds	$5,153,711	5,028,670
Net Book Value—Available-for-Sale Securities:		$5,322,037

Securities classified as held-to-maturity are stated at amortized cost and are included in Other Non-Current Assets on the December 31, 1994 Consolidated Balance Sheet. These held-to-maturity securities at December 31, 1994 included the following:

	Amortized Cost	Fair Value
U.S. Treasury Note, face value of $5,000,000, interest at 5.125%, due April 30, 1998	$4,972,842	$4,606,250
U.S. Treasury Note, face value of $5,000,000, interest at 6.250%, due January 31, 1997	5,000,000	$4,860,938
Net Book Value—Held-to-Maturity Securities:	$9,972,842	

In 1994, transactions in marketable securities decreased cash by $154,906. Investment in held-to-maturity securities totaled $5,000,000 while investments in available-for-sale securities were $9,104,906. Proceeds from the disposition of available-for-sale securities amounted to $13,950,000 with sales and maturities of available-for-sale securities providing $250,000 and $13,700,000, respectively.

In accordance with FASB Statement No. 115, the Company has not restated the financial statements of prior years. The Company had the following marketable securities stated at amortized cost plus accrued interest and classified as a part of Current Assets at December 31, 1993:

	Amortized Cost	Fair Value
U.S. Treasury Note, face value of $5,000,000 interest at 5.125% due April 30, 1998	$4,964,683	$5,012,500
U.S. Treasury Bill, face value of $5,000,000, due February 24, 1994	4,976,854	4,977,849
Northern Trust Advantage investment portfolio consisting of government securities and municipal bonds	5,037,007	5,045,055
	14,978,544	15,035,404
Accrued interest	116,482	116,482
	$15,095,026	$15,151,886

The calculation of gross unrealized loss for the year ended December 31, 1994 is as follows:

	Fair Value	Cost	Gross Unrealized (Loss)
Available-for-sale securities	$5,064,269	$5,189,310	$(125,041)
Held-to-maturity securities:			
U.S. Treasury Note, face value of $5,000,000, interest at 5.125% due April 30, 1998	4,606,250	4,972,842	(366,592)
U.S. Treasury Note, face value of $5,000,000, interest at 6.250%, due January 31, 1997	4,860,938	5,000,000	(139,062)
Gross Unrealized (Loss)			$(630,695)

Net unrealized losses on held-to-maturity securities have not been recognized in the accompanying consolidated financial statements. Net unrealized loss on available-for-sale securities included in shareholders' equity at December 31, 1994 was $81,525, consisting of gross unrealized loss of $125,041 net of deferred income taxes.

Net unrealized gain at December 31, 1993 was $56,860, consisting of aggregate market value of $15,035,404 and aggregate cost of $14,978,544. Net unrealized gain at December 31, 1993 is not included in the accompanying consolidated financial statements, as allowed by FASB Statement No. 115.

Net realized gains on marketable securities for the year ended December 31, 1993 were $386,409. There were no realized gains or losses for the years ended December 31, 1994 or 1992.

ELI LILLY AND COMPANY (DEC)

(Dollars in millions)	1994	1993
Total current assets	$ 3,962.3	$3,697.1
Other Assets		
Prepaid retirement	411.9	266.0
Investments (Note 6)	464.1	221.7
Goodwill and other intangibles, net of allowances for amortization of $326.2 (1994) and $289.9 (1993)	4,411.5	405.0
Sundry	846.1	833.6
	6,133.6	1,726.3
Property and Equipment	4,411.5	4,200.2
	$14,507.4	$9,623.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

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

Investments: All debt securities are classified as held-to-maturity because the company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Marketable equity securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. The company owns no investments that are considered to be trading securities.

Note 6 (In Part): Financial Instruments

Fair Value of Financial Instruments

A summary of the company's outstanding financial instruments at December 31 follows. As summarized, "cost" relates to investment, while "carrying amount" relates to long-term debt.

	1994		1993	
	Cost/ Carrying Amount	Fair Value	Cost/ Carrying Amount	Fair Value
Short-term investments:				
Debt securities	$191.4	$195.1	$415.3	$418.5
Marketable equity	19.1	18.4	32.2	41.5
Noncurrent investments:				
Marketable equity	80.5	74.9	63.0	69.8
Debt securities:				
Due within three years	15.6	15.6	2.5	2.5
Due after three years	147.4	144.1	47.3	46.7
Nonmarketable equity	30.0	31.3	35.3	36.5
Long-term debt	2,206.8	2,147.1	928.7	964.5

At December 31, 1994, the gross unrealized holding gains on available-for-sale securities were $22.2 million, and the gross unrealized holding losses were $27.0 million. The proceeds from sales of available-for-sale securities totaled $24.3 million. The net adjustment to unrealized gains and losses on available-for-sale securities reduced shareholders' equity by $13.7 million in 1994.

The company uses the following methods and assumptions to estimate the fair value of its financial instruments:

Investments: The fair values for marketable debt and equity securities are based on quoted market prices. The fair values of nonmarketable equity securities, which represent either equity investments in start-up technology companies or partnerships that invest in start-up technology companies, are estimated based on the fair value information provided by these ventures. The fair value of nonmarketable debt securities is based on quoted market prices of similar securities.

The company is a limited partner in certain affordable housing investments that generate benefits in the form of tax credits. The determination of fair value of these investments is not practicable. The carrying value of such investments was $194.9 million and $73.6 million as of December 31, 1994 and 1993, respectively.

Short-Term and Long-Term Debt: The fair value of the company's short-term borrowings approximates its carrying amount. The fair values of the company's long-term debt, including the current portion, are estimated using discounted cash flow analyses, based on the company's current incremental borrowing rates for similar types of borrowing arrangements. A significant portion of long-term debt consists of noncallable notes and bonds.

Risk-Management Instruments: The fair values of the company's foreign exchange and interest rate risk-management instruments are estimated based on quoted market prices of comparable contracts. The fair values and carrying amounts of these instruments were not material at December 31, 1994.

Effective January 1, 1994, the company adopted Financial Accounting Standards Board Statement (FAS) 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires designation of certain investments as either trading, held-to-maturity, or available-for-sale. As a consequence of the adoption, all available-for-sale securities on hand at January 1, 1994, have been marked to market and the opening balance of shareholders' equity has been increased by $10.7 million (net of $7.0 million in deferred income taxes) to reflect the net unrealized holding gains on these securities at that date.

THE UPJOHN COMPANY (DEC)

(Dollar amounts in thousands)	1994	1993
Total current assets	$2,130,438	$1,671,616
Net assets of discontinued operations		278,344
Investments	647,092	634,431
Property, plant and equipment at cost:		
Land	45,955	42,974
Buildings and leasehold improvements	1,230,926	1,100,715
Equipment	1,526,620	1,369,342
Construction in process	276,036	328,972
	3,079,537	2,842,003
Less allowance for depreciation	1,280,866	1,141,127
Net property, plant and equipment	1,798,671	1,700,876
Other noncurrent assets	586,260	526,654
Total assets	$5,162,461	$4,811,921

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in thousands, except per-share data

A (In Part): Summary of Significant Accounting Policies

Investments—The company has investments in short- and long-term debt securities that have been classified under the provisions of SFAS No. 115 as held-to-maturity. Accordingly, these investments are measured at amortized cost and temporary unrealized gains or losses are not recognized.

H. Investments

Short- and long-term investments in debt securities, essentially all of which are held by a subsidiary operating in Puerto Rico, were as follows:

Short-term investments Held-to-maturity	1994	1993
Obligations of the Commonwealth of Puerto Rico	$ 56,475	$ 7,500
Bank certificates of deposit	122,500	25,000
Corporate commercial paper	14,000	
Repurchase agreements	13,000	
Obligations of corporations	10,000	
Other	1,650	17
Total short-term investments	$217,625	$32,517

All short-term investments are reported on the Consolidated Balance Sheets as "other current assets"; and since maturities of these instruments are within one year, the carrying amount approximates fair value.

	1994				1993	
Long-term investments held-to-maturity	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Fair Value
Guaranteed by the U.S. Government	$328,777	$1,965	$21,750	$308,992	$308,750	$320,696
Obligations of the Commonwealth of Puerto Rico	93,028	32	2,099	90,961	80,394	83,587
Obligations guaranteed by various banks:						
Notes and other securities	65,000	34	2,520	62,514	35,000	35,657
Certificates of deposit	160,287	533	3,564	157,256	200,287	210,412
Obligations of corporations					10,000	10,673
Total long-term investments	$647,092	$2,564	$29,933	$619,723	$634,431	$661,025

The unrealized losses at December 31, 1994 are considered temporary, as all amounts are considered collectable upon maturity.

Scheduled maturities for the long-term securities held at December 31, 1994, were as follows:

Long-term securities mature in:	Amortized Cost	Fair Value
One to five years	$275,734	$269,965
Six to ten years	127,575	119,848
After ten years	10,858	10,122
	414,167	399,935
Mortgage-backed securities	232,925	219,788
Total long-term investments	$647,092	$619,723

There were no sales of or transfers from securities classified as held-to-maturity during the years ended December 31, 1994 or 1993.

Fair Value

BAUSCH & LOMB INCORPORATED (DEC)

Dollar Amounts in Thousands	1994	1993
Property, Plant and Equipment, net	$ 542,750	$ 541,061
Goodwill and Other Intangibles, less accumulated amortization of $77,394 and $59,396, respectively	395,950	456,944
Other Investments	425,000	—
Other Assets	140,065	111,862

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part):

Investments in Debt and Equity Securities—The Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", in 1994. The Company's reported other investments are classified as available-for-sale under the provision of SFAS No. 115, and accordingly any unrealized holding gains and losses, net of taxes, are excluded from income and recognized as a separate component of shareholders' equity until realized. Fair value of the securities is determined based on discounted cash flows and investment risk. As of December 31, 1994 the Company had not recorded any realized or unrealized holding gains and losses.

Other Investments

In the 1994 third quarter the Company's subsidiary, Bausch & Lomb Ireland, invested $425,000,000 in securities issued by a wholly-owned subsidiary of a triple-A rated financial institution. Entering into this transaction enhanced the Company's overall ability to raise funds, especially outside the U.S., and to realize more favorable terms for other types of financial transactions. In addition, the investment responded to a recent change in U.S. tax law, under which the Company elected to invest in qualifying "active" assets rather than face increased tax expenses associated with its non-U.S. earnings. The Company's past investments in Eurodollar time deposits would not qualify as "active" investments under current tax laws.

The securities are unsecured and are neither payable upon demand nor have a fixed maturity. The securities rank senior to all other classes of the issuer's equity and rank junior to the secured and unsecured liabilities of the issuer, including subordinated debt obligations. The securities pay quarterly cumulative dividends at a variable LIBOR-based rate. At December 31, 1994 this rate was 5.95%. The issuer has a call option upon 180 days notice, or 30 days notice after November 21, 2003. The securities will become freely transferable after approximately nine and one half years from the initial investment. At that time, the dividend rate will be reset, if necessary, to ensure that the market value of the securities is equal to the par value.

CHARMING SHOPPES, INC. (JAN)

(In thousands)	1995	1994
Total Current Assets	$431,715	$440,304
Property, Equipment and Leasehold Improvement—at Cost	483,372	416,029
Less: Accumulated Depreciation and Amortization	197,119	161,695
Net Property, Equipment and Leasehold Improvements	286,253	254,334
Available-for-Sale Securities [including a fair value adjustment of ($2,591) as of January 28, 1995]	76,988	83,695
Other Assets	45,853	50,900
Total Assets	$840,809	$829,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Investments

In May, 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities." The Company adopted the provisions of the new standard for investments held as of or acquired after January 30, 1994. The cumulative effect of adopting SFAS 115 was an increase in Stockholder's Equity of $1,357,000. In accordance with SFAS 115, prior-period financial statements have not been restated. Pursuant to SFAS 115, management has determined that the Company's investments should be classified as available-for-sale. As available-for-sale investments, these securities are carried at fair value (previously carried at amortized cost) and unrealized gains and losses are reported in a separate component of stockholders' equity. The amortized cost of investments is adjusted for amortization of premiums and the accretion of discounts to maturity. Such amortization is included in other income. Realized gains and losses and interest from investments are also included in other income. The cost of securities sold is based on the specific identification method.

Short-term investments include investments with an original maturity of greater than three months and a remaining maturity of less than one year. Short-term investments are stated at cost which approximates market value.

Available-For-Sale Securities

The following is a summary of available-for-sale securities as of January 28, 1995:

(in thousands)	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Charming Shoppes Master Trust Certificates	$ 30,680	$ 0	$ 0	$ 30,680
Charming Shoppes Master Trust Note	5,500	0	0	5,500
Municipal Bonds and Municipal Bond Funds	49,743	18	(926)	48,835
Government Agency Mortgage Backed Securities	11,428	0	(1,746)	9,682
U.S. Treasury and Gov't. Agency Bonds	15,324	470	(295)	15,499
Low Income Housing Partnerships	3,208	0	0	3,208
Preferred Stocks	3,096	52	(144)	3,004
Other	780	0	(20)	760
	$119,759	$540	$(3,131)	$117,168

The following is a summary of available-for-sale securities as of January 29, 1994:

(In thousands)	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Charming Shoppes Master Trust Certificates	$ 27,835	$ 0	$ 0	$ 27,835
Municipal Bonds and Municipal Bond Funds	52,393	211	(35)	52,569
Government Agency Mortgage Backed Securities	23,229	653	(45)	23,837
U.S. Treasury and Gov't. Agency Bonds	14,436	985	0	15,421
Low Income Housing Partnerships	2,486	0	0	2,486
Preferred Stocks	3,876	391	(68)	4,199
Other	4,730	0	0	4,730
	$128,985	$2,240	$(148)	$131,077

The gross realized gains and (losses) on available-for-sale securities totaled $198,000 and ($24,000), respectively, for the fiscal year ended January 28, 1995.

The contractual maturities of available-for-sale securities at January 28, 1995 were:

(In thousands)	Cost	Estimated Fair Value
Due in One Year or Less	$ 40,180	$ 40,180
Due after One Year through Five Years	47,803	47,637
Due after Five Years	14,044	13,457
	102,027	101,274
Gov't. Agency Mortgage Backed Securities	11,428	9,682
Equity Securities	6,304	6,212
	$119,759	$117,168

EG&G, INC. (DEC)

(Dollars in thousands)	1994	1993
Total Current Assets	$481,478	$461,111
Property, Plant and Equipment:		
At cost	364,801	327,416
Accumulated depreciation and amortization	(243,139)	(221,320)
Net Property, Plant and Equipment	121,662	106,096
Investments (Note 7)	16,515	25,920
Intangible Assets	127,312	139,205
Other Assets	46,162	32,555
Total Assets	$793,129	$764,887

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Investments

Investments as of January 1, 1995 and January 2, 1994 consisted of the following:

(In thousands)	1994	1993
Marketable investments	$14,187	$6,838
Other investments	6,330	13,426
Joint venture investments	5,314	5,656
	25,831	25,920
Less investments classified as other current assets	(9,316)	—
	$16,515	$25,920

Marketable investments consisted of common stocks, and trust assets which were invested in money market funds, fixed income securities and common stocks to meet the supplemental executive retirement plan obligation. (See Note 12.)

Effective January 3, 1994, the Company adopted SFAS No. 115 on accounting for certain investments in debt and equity securities. This new standard requires that available-for-sale investments in securities that have readily determinable fair values be measured at fair value in the balance sheet and that unrealized holding gains and losses for these investments be reported in a separate component of stockholders' equity until realized. At January 1, 1995, $3.3 million was reported as a separate component of stockholders' equity, representing the unrealized holding gains, net of deferred income taxes. At January 2, 1994, marketable investments had an aggregate market value of $13.1 million and gross unrealized gains of $6.3 million.

At January 1, 1995, marketable investments classified as available for sale included the following:

(In thousands)	Market Value	Cost	Gross Unrealized Holding Gains
Common stocks	$11,994	$6,860	$5,134
Fixed income securities	1,987	1,987	—
Money market funds	206	206	—
	$14,187	$9,053	$5,134

The market values were based on quoted market prices. The fixed income securities, on average, have maturities of approximately 5.3 years.

Other investments consisted of nonmarketable investments in private companies and venture capital partnerships, which are carried at the lower of cost or net realizable value. The estimated aggregate fair value of other investments approximated the carrying amount at January 1, 1995 and January 2, 1994. The fair values of other investments were estimated based primarily on the most recent rounds of financing and securities transactions and, to a lesser extent, on other pertinent information, including financial condition and operating results.

During the third quarter of 1994, the Company wrote down certain investments by $1.8 million to their estimated realizable value as the result of the decision to restructure associated operations and to liquidate the Company's position in investments no longer consistent with its strategic direction. In conjunction with the decision to liquidate certain investments, marketable investments of $8.3 million and other investments of $1 million were classified as other current assets at January 1, 1995. During the fourth quarter, the Company wrote down certain investments by $2.7 million due to a reduction in their estimated realizable value based upon the deterioration in the financial condition of the company/partnership.

Joint venture investments are accounted for using the equity method.

No Cost Basis

EAGLE-PICHER INDUSTRIES, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D. Other Assets

Other assets consisted of:

(In thousands of dollars)	1994	1993
Cost in excess of net assets acquired, net of accumulated amortization of $3,973 in 1994 and $3,580 in 1993	$12,507	$12,900
Notes receivable	5,778	6,273
Prepaid pension cost	7,879	7,019
Other	10,111	6,819
	$36,275	$33,011

Notes receivable include $4,550,000 received as partial consideration for the sale of a division. This note is payable in two equal installments in 1997 and 1998 and bears interest at 8%. Pursuant to the terms of the note, interest is payable semiannually commencing in August, 1994. The Company received the first interest payment in accordance with the terms of the note.

The Company has not yet adopted Statement of Financial Accounting Standards No. 115 ("FAS 115"). "Accounting for Certain Investments in Debt and Equity Securities." The Company holds certain investments with no cost basis which would be accounted for in accordance with FAS 115. A substantial portion of these investments relate to shares of stock in a Canadian mining concern that the Company received in 1990 in settlement of certain indebtedness. The Company had previously deemed the investment to be permanently impaired and had recorded a loss on the investment in the amount of its full book value. The price of the stock, however, has significantly increased since then. At November 30, 1994, the fair value of investments that would be accounted for in accordance with FAS 115 was approximately $5.4 million. The Company is required to adopt FAS 115 on December 1, 1994 on a prospective basis. Upon adoption, the investments would be recorded at their fair value in the Consolidated Balance Sheet and any unrealized gains or losses would be reported in a separate component of shareholders' equity until realized.

NONCURRENT RECEIVABLES

Chapter 3A of *Accounting Research Bulletin 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."

68 survey companies made 89 references to fair value. The references included 3 references that it was not practicable to estimate fair value, 29 references that fair value approximated carrying amount, 11 references that fair value was based on market quotes, and 46 references that fair value was based on discounted cash flows.

Table 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivable disclosures follow.

TABLE 2-16: NONCURRENT RECEIVABLES

	1994	**1993**	**1992**	**1991**
Caption Title				
Long-Term Receivables	30	35	30	28
Notes Receivable	29	33	30	37
Noncurrent Receivables	6	5	10	5
Other	33	27	26	34
Receivables combined with other investments, deposits, etc.	28	32	41	45
Total Presentations	**126**	**132**	**137**	**149**
Number of Companies				
Presenting noncurrent receivables	123	129	132	145
Not presenting noncurrent receivables	477	471	468	455
Total Companies	**600**	**600**	**600**	**600**

ANACOMP, INC. (SEP)

(Dollars in thousands)	1994	1993
Total current assets	$214,129	$218,011
Property and equipment, at cost less accumulated depreciation and amortization of $100,574 and $105,523 respectively	66,769	66,399
Long-term receivables, net of current portion	16,383	17,619
Excess of purchase price over net assets of businesses acquired and other intangibles, net	279,607	296,426
Deferred tax asset, net of valuation allowance of $57,000	29,000	—
Other assets	57,751	45,093
	$658,639	$643,548

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Long Term Receivables:

Long-term receivables consist of the following:

	September 30,	
(In thousands)	1994	1993
Lease contracts receivable	$21,160	$21,634
Other lease receivables	—	204
Notes receivable from asset sales	1,015	856
Other	2,229	2,414
	24,404	25,108
Less current portion	(8,021)	(7,489)
	$16,383	$17,619

Other long-term receivables include $1,116,000 and $1,243,000 at September 30, 1994 and 1993, respectively, due from officers.

Lease contracts receivable result from customer leases of products under agreements which qualify as sales-type leases. Annual future lease payments under sales-type leases are as follows:

(In thousands)	Year Ended September 30,
1995	$ 9,003
1996	6,354
1997	5,211
1998	2,618
1999	1,541
	24,727
Less deferred interest	(3,567)
	$21,160

ERLY INDUSTRIES INC. (MAR)

	1994	1993
Total current assets	$102,777,000	$69,655,000
Long-term notes receivable, net	1,792,000	6,623,000
Property, plant and equipment, net	55,034,000	30,857,000
Assets held for sale, net	22,546,000	4,210,000
Investment in American Rice, Inc.		13,104,000
Other assets	17,001,000	10,651,000
	$199,150,000	$135,100,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Long-term Notes Receivable

Long-term notes receivable at March 31, 1994 and 1993 consist of the following:

	1994	1993
Note receivable from Hansen Natural Corporation, due 1997, interest at 8.41%, collateralized by Hansen trademark license	$ —	$4,000,000
Note receivable from Aqaba Packaging Company, a 49% owned subsidiary of Comet, amounts due to be deducted from payments for future services, non-interest bearing		1,592,000
Other notes receivable	1,792,000	1,637,000
Less current portion of long-term notes receivable		(406,000)
Less allowance for loss		(200,000)
	$1,792,000	$6,623,000

The Company had a note receivable from Hansen Natural Corporation (the successor to Hansen Foods) which was recorded at a net carrying amount of $3.8 million at March 31, 1993. In 1994, the note was exchanged for various debt obligations with the State of Michigan Retirement System (See Note 8).

FOXMEYER CORPORATION (MAR)

(Thousands of dollars)	1994	1993
Total current assets	$ 857,278	$ 924,575
Property, plant and equipment	147,963	121,761
Less allowances for depreciation and amortization	54,710	43,016
Net property, plant and equipment	93,253	78,745
Other assets		
Goodwill, net of accumulated amortization of $40,899 in 1994 and $33,928 in 1993	238,987	243,304
Other intangible assets, net of accumulated amortization of $10,835 in 1994 and $9,327 in 1993	12,519	14,027
Pre-bankruptcy receivable from Phar-Mor, Inc., net of $40,000 allowances for possible loss	$28,758	29,465
Note receivable from National Intergroup, Inc.	28,325	26,825
Miscellaneous assets	21,234	16,180
Total other assets	329,823	329,801
Total assets	$1,280,354	$1,333,121

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Phar-Mor, Inc. Receivable

On August 17, 1992, Phar-Mor, Inc., a large deep-discount drug store chain ("Phar-Mor"), filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Corporation's records reflect that on the filing date it had receivables due from Phar-Mor of approximately $68.8 million, including $18.7 million for which the Corporation has filed a reclamation claim in Phar-Mor's bankruptcy proceedings. In the accompanying consolidated balance sheets, all amounts due from Phar-Mor for goods sold prior to August 17, 1992, were classified as long-term assets, net of allowances.

Subsequent to the filing, the Corporation has monitored the situation closely and worked with Phar-Mor through the Unsecured Creditors' Committee as Phar-Mor attempts to reorganize and emerge from bankruptcy. As part of its restructuring, Phar-Mor has closed over 140 stores since its bankruptcy filing. The effect of these store closures was to reduce the Corporation's net sales to Phar-Mor during 1994 by $183.8 million as compared to 1993.

During 1993, the Corporation recorded a pre-tax charge to earnings of $41.0 million ($25.4 million after taxes or $.86 per common share) representing a $40.0 million provision for possible loss on amounts due from Phar-Mor and a $1.0 million provision for legal and other costs related to the bankruptcy. The Corporation has analyzed the available information concerning Phar-Mor that has been provided to the Unsecured Creditors' Committee and continues to believe that the $40.0 million allowance reflects a reasonable estimate of its probable loss based on such information. While the Corporation believes that the $40.0 million allowance is sufficient to cover its estimated loss, there could be future developments, and additional information could become available that may indicate that the estimated loss should be adjusted. The Corporation believes that future adjustments to the allowance recorded to date, if any, would not have a material adverse effect on the Corporation's financial condition. However, should such adjustments be necessary, the amounts could be material to the results of operations for the period or periods in which they are reported.

Note N—Estimated Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined based on available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Corporation might realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The carrying amounts of cash and short-term investments, marketable equity securities, accounts receivable, accounts payable and other accrued liabilities are reasonable estimates of their fair value. The estimated fair value of notes receivable is not materially different from the carrying value for financial statement purposes at March 31, 1994 and 1993. In making this determination, the Corporation used interest rates based on the credit worthiness of the customer.

The carrying value of long-term debt is $258.3 million and $265.0 million at March 31, 1994 and 1993, respectively, while the estimated fair value is $250.4 million and $265.3 million, respectively, based upon interest rates available to the Corporation for issuance of similar debt with similar terms and remaining maturities.

It is not practicable to estimate the fair value of the pre-bankruptcy receivable due from Phar-Mor. While the Corporation believes it has adequately provided for the eventual loss resulting from Phar-Mor's bankruptcy, it is unable to estimate the timing and form of ultimate settlement of the amounts due the Corporation.

The fair value estimates were based on pertinent information available to management as of March 31, 1994 and 1993. Such amounts have not been comprehensively revalued for purposes of these financial statements since those dates, and current estimates of fair value may differ significantly from the amounts presented herein.

SPX CORPORATION (DEC)

(Dollars in thousands)	1994	1993
Total current assets	$406,281	$518,196
Investments	16,363	13,446
Property, Plant, and Equipment, at cost	408,365	367,832
Less: Accumulated Depreciation	193,512	169,687
Net property, plant, and equipment	$214,853	$198,145
Other Assets	49,979	39,452
Lease Finance Receivables — Long-Term (Note 22)	47,042	51,013
Costs in Excess of Net Assets of Business Acquired	199,145	204,149
Total Assets	$931,663	$1,024,401

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" requires disclosure of an estimate of the fair value of certain financial instruments. The carrying amounts and fair values of the company's financial instruments at December 31, 1994 are as follows:

(In thousands)	Carrying Amount	Fair Value
Cash and temporary investments	$ 9,859	$ 9,859
Receivables	128,544	128,544
Lease finance receivables	82,068	82,068
Other assets (derivative)	431	950
Notes payable and current maturities of long-term debt and long-term debt	(415,215)	(413,915)
Off-Balance Sheet Financial Instruments: Letters of Credit	—	(42,260)

The following methods and assumptions were used by the company in estimating its fair value disclosures:

Cash and temporary investments, and receivables. The carrying amount reported on the consolidated balance sheet approximates its fair value because of the short maturity of those instruments.

Lease finance receivables. The carrying amount, which is net of deferred future lease finance income and reserves for credit losses, approximates fair value.

Other assets (derivatives). The amount reported relates to the interest rate cap agreement described in Note 18. The carrying amount comprises the unamortized premiums paid for the contract. The fair value is estimated using option pricing models and essentially values the potential for the cap to become in-the-money through changes in interest rates during the remaining term.

Notes payable and current maturities of long-term debt and Long-term debt. The fair value of the company's debt either approximates its carrying value or is estimated based on quoted market prices.

Letters of credit. The company utilizes letters of credit to back certain financing instruments and insurance policies. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the marketplace.

Concentrations of credit risk arise due to the company operating in the motor vehicle industry, particularly in the United States. Except for lease finance receivables (see Note 22), the company does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standing of counterparties.

22. SPX Credit Corporation

SPX Credit Corporation ("SPX CC") provides direct financing leasing alternatives primarily to electronic diagnostic, emissions testing, and wheel service equipment customers in the United States and Canada. These leases are collateralized by the equipment. SPX CC purchases equipment for lease to others from the company's Specialty Service Tool divisions, its sole supplier, at prices comparable to those third parties. The aggregate cost of equipment purchased from Specialty Service Tool divisions amounted to approximately $24.6 million in 1994 and $16.0 million in 1993. The company's Specialty Service Tool divisions charge a commission representing an origination fee for providing leases and for the cost of services provided to SPX CC with respect to the

negotiation and consummation of new leases in the amount of $996,000 for 1994 and $521,000 for 1993 (since the acquisition of Allen Group Leasing). SPX CC has an agreement with Specialty Service Tool divisions for the repurchase of repossessed equipment at amounts determined to approximate realizable value by the Specialty Service Tool division. Approximately $12.7 million of equipment in 1994 and $5.8 million of equipment in 1993 (since the acquisition) was repurchased under this agreement.

Information regarding lease receivables included in the consolidated balance sheet is as follows:

(In thousands) December 31, 1994	Current	Long-term	Total
Direct financing lease receivables	$36,945	$51,908	$88,553
Residual value of lease equipment	775	2,264	3,039
Other leasing assets	7,875	3,917	11,792
Unearned lease finance income	(8,884)	(9,513)	(18,397)
Allowance for credit losses	(1,685)	(1,234)	(2,919)
	$35,026	$47,042	$82,068
December 31, 1993			
Direct financing lease receivables	$36,661	$60,263	$82,068
Residual value of lease equipment	469	2,862	3,331
Other leasing assets	9,159	192	9,351
Unearned lease finance income	(10,427)	(10,825)	(21,252)
Allowance for credit losses	(2,028)	(1,479)	(3,507)
	$33,834	$51,013	$84,847

The aggregate maturities of direct financing lease receivables as of December 31, 1994 were $36.9 million in 1995, $23.6 million in 1996, $15.6 million in 1997, $8.7 million in 1998 and $3.8 million in 1999.

Essentially all of SPX CC's direct financing lease receivables are with companies or individuals operating within the automotive repair industry, including automotive dealerships, garages and similar repair and inspection facilities, and approximately 30% of lease receivables are with lessees located in the state of California.

The company has a program whereby certain lease receivables are sold to financial institutions with limited recourse. In the event of default by a lessee, the financial institution has recourse equal to their net lease receivable. In return, the company receives the collateralized lease equipment. In 1994, no lease receivables were sold under this program. In 1993 and 1992, $5,613,000 and $21,390,000 of gross lease receivables were sold to financial institutions generating revenues of $846,000 and $1,386,000. At December 31, 1994 and 1993, financial institutions held lease receivables, which are subject to limited recourse, of $20,365,000 and $42,766,000. Correspondingly, allowances for recourse liabilities, net of recoverable value, were $1,470,000 and $3,743,000 at December 31, 1994 and 1993.

SCOTT PAPER COMPANY (DEC)

(Millions)	1994	1993
Timber resources, at cost less timber harvested	$ 84.2	$113.0
Investments in international equity affiliates	174.3	223.8
Investments in and advances to other equity affiliates	53.0	84.1
Construction funds held by trustees	79.5	87.1
Notes receivable	220.0	220.0
Goodwill and other assets	224.6	231.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Financial Instruments

Fair Values of Financial Instruments

	December 31, 1994		December 25, 1993	
(Millions)	Gross Notional or Principal Amount	Fair Value	Gross Notional or Principal Amount	Fair Value
Cash and cash equivalents	$1,114.0	$1,114.0	$133.6	$133.6
Long-term notes receivable	220.0	220.0	220.0	220.0
Current maturities and long-term debt	(1,857.9)	(1,857.0)	(2,546.4)	(2,797.3)
Foreign currency contracts	235.3	3.0	363.0	4.0
Currency swaps	143.0	(11.7)	263.5	(32.8)
Interest rate swaps	93.6	(1.3)	915.3	(9.4)

The estimated fair values of the Company's financial instruments are generally based on quoted market prices or on current rates available to the Company for financial instruments of similar remaining maturities and do not include potential tax effects or possible expenses incurred in settling the transactions.

The counterparties to interest rate swaps, foreign currency swaps and forward exchange 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 or contracts it enters into with any one party. Although the Company may be exposed to credit losses in the event of nonperformance by these counterparties, it does not anticipate losses due to the control procedures described above.

TRIBUNE COMPANY (DEC)

(In thousands)	1994	1993
Other Assets		
Broadcast rights	$195,535	$217,229
Intangible assets (less accumulated amortization of $182,982 and $156,372)	834,596	719,965
Mortgage notes receivable from affiliates	83,314	119,437
Other	221,987	135,982
Total other assets	1,335,432	1,192,613

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Mortgage Notes Receivable from Affiliates

The Company holds a mortgage note resulting from the sale in 1982 of the New York Daily News building to a limited partnership in which the Company holds a 23% interest. The note is due December 31, 1997, can be prepaid beginning December 31, 1996, and bears interest at 13% plus contingent interest based upon the building's cash flow and appreciation.

In 1993, the Company purchased a mortgage note for $35.5 million on a building owned by a partnership in which the Company held a 50% interest. In 1994, the Company contributed the mortgage note to the partnership and, for $1.6 million in cash, acquired an additional 49% of the partnership. Subsequent to this transaction, the partnership has been consolidated in the Company's financial statements.

Note 9: Fair Value of Financial Instruments

Estimated fair values and carrying amounts of the Company's financial instruments at December 25, 1994 and December 26, 1993 were as follows:

	1994		1993	
(In thousands)	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Investments in less than 20% owned companies:				
Practicable to estimate fair value	$87,211	$87,211	$47,536	$10,624
Not practicable	—	5,887	—	6,939
QUNO debenture	204,342	204,342	202,323	138,757
Mortgage notes receivable	91,135	83,937	138,235	119,986
Debt	459,453	438,798	574,142	536,655
Contracts payable for broadcast rights	316,809	363,128	299,433	337,532

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Investments in less than 20% owned companies and QUNO debenture—In 1994, upon adoption of SFAS No. 115 (see note 1), certain of these investments and the QUNO debenture have been recorded at fair value in the consolidated financial statements. For other investments for which there are no readily determinable market prices, it was not practicable to estimate fair value.

Mortgage notes receivable—Fair value was estimated using the discounted cash flow method.

Debt—Fair value of the Company's debt was determined based on quoted market prices for similar issues or on current rates available to the Company for debt of the same remaining maturities and similar terms.

Contracts payable for broadcast rights—Fair value of contracts payable for broadcast rights, which are not discounted in the consolidated statements of financial position, was estimated using the discounted cash flow method.

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 lists those intangible assets being amortized which are most frequently disclosed by the survey companies. Table 2-17 does not reflect intangible assets not being amortized because such assets were acquired prior to the effective date of *Opinion No. 17.* Table 2-17 also does not reflect intangible pension assets recognized when an entity records a minimum pension liability in accordance with *Statement of Financial Accounting Standards No. 87.* In 1994, 32 survey companies disclosed an amount for intangible assets acquired prior to the effective date of Opinion No. 17 and 90 survey companies disclosed an amount for intangible pension assets.

Table 2-18 summarizes the amortization periods used by the survey companies to amortize intangible assets. It is not uncommon for a company to use more than one period for one type of intangible. For instance, a company may disclose in the Summary of Accounting Policies that it amortizes goodwill over a period not exceeding 40 years and in a subsequent note disclose that it amortizes goodwill related to a certain acquisition over a specified number of years.

Examples of intangible asset disclosures follow.

TABLE 2-17: INTANGIBLE ASSETS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Goodwill recognized in a business combination	395	385	383	381
Patents, patent rights	62	69	62	59
Trademarks, brand names, copyrights	52	51	50	48
Noncompete covenants	27	26	21	18
Licenses, franchises, memberships	19	19	17	17
Technology	15	15	13	13
Customer lists	13	9	13	11
Other—described	40	32	29	31

TABLE 2-18: AMORTIZATION PERIOD—1994

	Number of Companies						
	Goodwill	**Patents**	**Trademarks**	**Noncompete**	**Licenses**	**Technology**	**Lists**
Period							
40	171	1	8	—	2	1	—
"Not exceeding 40"	81	3	2	1	—	—	—
25–30	14	—	—	—	—	—	—
20	13	—	1	—	1	—	—
10–15	20	2	1	1	1	2	3
Legal/estimated life	43	41	29	16	7	7	8
Other	95	15	11	9	9	5	2

Goodwill

AMERICAN HOME PRODUCTS CORPORATION (DEC)

(In thousands)	1994	1993
Total Current Assets	$ 7,821,246	$4,807,684
Property, plant and equipment:		
Land	178,693	89,375
Buildings	2,422,113	1,473,413
Machinery and equipment	2,857,269	1,897,577
	5,458,075	3,460,365
Less accumulated depreciation	1,646,145	1,400,580
	3,811,930	2,059,785
Goodwill	9,181,129	716,395
Other assets	860,507	103,489
	$21,674,812	$7,687,353

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Goodwill is being amortized on the straight-line method over periods not exceeding 40 years. Accumulated amortization was $705,399,000 and $636,385,000 at December 31, 1994 and 1993, respectively. The Company evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the assigned goodwill or rendered the goodwill not recoverable. If such circumstances arise, the Company uses an estimate of the related business' after-tax income contribution on a discounted basis to determine whether the goodwill is recoverable.

CLARK EQUIPMENT COMPANY (DEC)

Amounts in thousands	1994	1993
TOTAL CURRENT ASSETS	$ 495,123	$ 461,771
Investments and advances—associated companies	12,555	122,106
Investments and advances—discontinued operations—VME Group N.V.	195,943	—
Deferred tax assets—net	100,402	97,357
Property, plant and equipment—net	181,139	201,924
Assets held for sale	—	6,765
Goodwill	167,272	67,461
Other assets	41,465	45,890
TOTAL ASSETS	$1,193,899	$1,003,274

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Goodwill Amortization. The Company is generally amortizing goodwill on a straight-line method over a 40-year period. Goodwill shown in the consolidated financial statements relates to: 1) the Company's 1990 acquisition of Hurth Axle S.p.A., an Italy-based company, which is remeasured into U.S. dollars using current exchange rates (current balance: $68.9 million); and 2) the Company's 1994 acquisition of Blaw-Knox (current balance: $98.4 million). The amortization recorded for 1994, 1993, and 1992 was $3.5 million, $2.1 million, and $2.5 million, respectively. Accumulated amortization at December 31, 1994 and 1993, was $11.4 million and $7.9 million, respectively.

The Company periodically reviews the value of its goodwill to determine if an impairment has occurred. The Company measures the potential impairment of recorded goodwill by the undiscounted value of expected future operating cash flows in relation to its net capital investment in the subsidiary. Based on its review, the Company does not believe that an impairment of its goodwill has occurred.

GEORGIA-PACIFIC CORPORATION (DEC)

(Millions)	1994	1993
Property, plant and equipment, net	$5,488	$5,448
Goodwill	1,773	1,832
Other assets	242	238

NOTES TO FINANCIAL STATEMENTS

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

Goodwill—The Corporation amortizes costs in excess of fair value of net assets of businesses acquired using the straight-line method over a period not to exceed 40 years. Recoverability is reviewed annually or sooner if events or changes in circumstances indicate that the carrying amount may exceed fair value. Recoverability is then determined by comparing the undiscounted net cash flows of the assets to which the goodwill applies to the net book value including goodwill of those assets.

Amorization expense was $59 million in 1994, 1993 and 1992. Accumulated amortization at December 31, 1994 and 1993 was $307 million and $247 million, respectively.

HASBRO, INC. (DEC)

(Thousands of Dollars)	1994	1993
Total current assets	$1,252,463	$1,301,135
Property, plant and equipment, net	308,879	279,803
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of $82,949 in 1994 and $68,122 in 1993	479,960	475,607
Other intangibles, less accumulated amortization of $58,178 in 1994 and $85,290 in 1993	295,333	185,953
Other	41,740	50,520
Total other assets	817,033	712,080
Total assets	$2,378,375	2,293,018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cost in Excess of Net Assets Acquired and Other Intangibles

The Company continually monitors its cost in excess of net assets acquired (goodwill) and its other intangibles to determine whether any impairment of these assets has occurred. In making such determination with respect to goodwill, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. With respect to other intangibles, which include the cost of license agreements, trademarks and copyrights and cost in excess of net assets acquired through the purchase of product rights and licenses, the Company bases its determination on the performance, on an undiscounted basis, of the related products or product lines. Approximately 75% of the Company's goodwill and other intangibles result from the 1984 acquisition of Milton Bradley Company, including its Playskool and international subsidiaries, and the 1991 acquisition of Tonka Corporation, including its Kenner, Parker Brothers and international units. The assets acquired in these transactions continue to contribute a significant portion of the Company's net revenues and earnings. A further 19% is attributable to the Company's two acquisitions during 1994 (see note 2).

Substantially all costs in excess of net assets (goodwill) of subsidiaries acquired are being amortized on the straight-line method over forty years.

Other intangibles, which include the cost of license agreements, trademarks and copyrights and cost in excess of net assets acquired through the purchase of product rights and licenses, are being amortized over five to twenty-five years using the straight-line method.

MASCO CORPORATION (DEC)

	1994	1993
Total current assets	$1,891,440,000	$1,675,870,000
Equity investments in MascoTech, Inc.	184,960,000	294,700,000
Equity investments in other affiliates	57,790,000	54,630,000
Property and equipment	1,231,810,000	1,095,170,000
Excess of cost over acquired net assets	706,160,000	605,170,000
Other assets	317,880,000	327,570,000
	$4,390,040,000	$4,053,110,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 to 10 percent, and machinery and equipment, 5 to 33 percent. Depreciation was $88.1 million, $82.1 million and $79.4 million in 1994, 1993 and 1992, respectively.

The excess of cost over net assets of acquired companies is being amortized using the straight-line method over periods not exceeding 40 years; at December 31, 1994 and 1993, such accumulated amortization totalled $147.3 million and $127.2 million, respectively. At each balance sheet date, management assesses whether there has been an impairment in the carrying value of excess of cost over net assets of acquired companies, primarily by comparing current and projected sales, operating income and annual cash flows with the related annual amortization expense as well as considering the equity of such companies. Purchase costs of patents are being amortized using the straight-line method over the legal lives of the patents, not to exceed 17 years. Amortization of intangible assets was $32.5 million, $33.9 million and $35.1 million in 1994, 1993 and 1992, respectively.

NIKE, INC. (MAY)

(in thousands)	1994	1993
Total current assets	$1,770,431	$1,617,768
Property, plant and equipment, net	405,845	377,995
Goodwill (Note 1)	157,187	159,579
Other assets	40,352	30,927
Total assets	$2,373,815	$2,186,269

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill:

At May 31, 1994 and 1993, the Company's excess of purchase cost over the fair value of net assets of businesses acquired was $157,187,000 and $159,579,000 respectively, net of amortization of $25,025,000 and $22,181,000 respectively. This excess is being amortized on a straight-line basis over five to forty years. Goodwill amortization expense was $7,018,000, $5,083,000 and $4,818,000 for the years ended May 31, 1994, 1993 and 1992, respectively, which is included in other income/expense.

THE PROCTER & GAMBLE COMPANY (JUN)

(Million of Dollars)	1994	1993
Property, Plant, and Equipment	$10,024	$ 9,485
Goodwill and Other Intangible Assets	3,754	3,762
Other Assets	1,769	1,713

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

1 (In Part): Summary of Significant Accounting Policies

Goodwill and Other Intangible Assets: The cost of intangible assets is amortized on a straight-line basis over the estimated periods benefited, but not exceeding 40 years with an average remaining life of 28 years. The realizability of goodwill and other intangibles is evaluated periodically as events or circumstances indicate a possible inability to recover their carrying amount. Such evaluation is based on various analyses, including cash flow and profitability projections that incorporate, as applicable, the impact on existing company businesses. The analyses necessarily involve significant management judgment to evaluate the capacity of an acquired business to perform within projections. Historically, the Company has generated sufficient returns from acquired businesses to recover the cost of their intangible assets.

4 (In Part): Balance Sheet Information

June 30	1994	1993
Goodwill and Other Intangible Assets		
Goodwill	$3,564	$3,472
Trademarks and other intangible assets	946	957
	4,510	4,429
Less accumulated amortization	756	667
	3,754	3,762

Patents

THE DEXTER CORPORATION (DEC)

In thousands of dollars	1994	1993
Investments of wholly owned captive insurance companies	$ 7,224	$ 6,638
Investment in unconsolidated affiliates	49,390	46,452
Patents, technology, formulas and covenants	4,233	3,891
Excess of cost over net assets of businesses acquired	74,034	69,301
Other assets	24,140	28,129

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Patents, Technology, Formulas and Covenants.
Patents, technology, formulas and covenants not to compete are stated at cost less accumulated amortization of $17.2 million, $15 million and $13.4 million at December 31, 1994, 1993 and 1992, respectively. Such items which have been acquired by purchase or merger are capitalized and amortized on a straight-line basis over periods ranging from 3 to 15 years. Research and development costs and any costs associated with internally developed patents, formulas or other proprietary technology are expensed in the year incurred.

Excess Acquisition Cost. Excess acquisition cost increased by $4.7 million in 1994 to $74 million. Excess acquisition cost increased $5 million due to businesses acquired in 1994 and $2.7 million due to currency translation effects. These increases were offset by amortization of excess acquisition cost. The excess of cost over the net asset value of businesses acquired (goodwill) is amortized on a straight-line basis over 25 to 40 years. Excess acquisition cost of businesses acquired after 1990 is amortized over periods not exceeding 25 years. Accumulated amortization amounted to $12.9 million, $9.7 million and $7.2 million at December 31, 1994, 1993 and 1992, respectively. Management evaluates, on an ongoing basis, the carrying value of excess acquisition cost and makes a specific provision against the asset when impairment is identified. When a loss is expected from the proposed sale of a business or product line, a diminution in the value of the excess of cost over the net asset value of the business acquired is identified. In the instance of an ongoing business, such a diminution is recognized when there has been a history of the business' inability to generate operating income after the amortization of goodwill and in management's judgment, the business will not recover from this position in the future. There were no impairment charges in 1994 or 1992. These impairment charges, were $0.6 million in 1993.

FIRST BRANDS CORPORATION (JUN)

(in thousands)	1994	1993
Total current assets	$290,885	$303,164
Property, plant and equipment (net of accumulated depreciation of $87,584 and $69,570)	266,357	252,372
Patents, trademarks, proprietary technology and other intangibles (net of accumulated amortization of $193,429 and $177,621) (Note 1 and 4)	232,666	247,226
Deferred charges and other assets (net of accumulated amortization of $48,479 and $45,078)	24,077	27,455
Total assets	$813,985	$830,217

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.

4. Patents, Trademarks, Proprietary Technology and Other Intangibles

The recoverability of carrying values of intangible assets is evaluated on a recurring basis. The primary indicators of recoverability are current or forecasted profitability of the related acquired business, measured as profit before interest, but after amortization of the intangible assets compared to their carrying values. For the three-year period ended June 30, 1994, 1993 and 1992 there were no adjustments to the carrying values of intangible assets resulting from these evaluations.

Patents, trademarks, proprietary technology and other intangibles as of June 30, 1994 and 1993 consisted of:

(in thousands)	1994	1993	Useful Lives
Trademarks	$96,227	$96,227	40 years
Patents, proprietary technology and other intangibles	210,062	209,590	13–17 years
Excess of cost over net assets acquired	119,806	119,030	40 years
	426,095	424,847	
Less: Accumulated amortization	(193,429)	(177,621)	
	$232,666	$247,226	

THIOKOL CORPORATION (JUN)

(in millions)	1994	1993
Total Current Assets	$361.9	$399.9
Property, Plant and Equipment		
Land	17.3	17.3
Buildings and improvements	242.5	239.2
Machinery and equipment	342.5	327.4
Construction in progress	21.8	20.5
	624.1	604.4
Less allowances for depreciation	(302.0)	(275.1)
	322.1	329.3
Other Assets		
Costs in excess of net assets of businesses acquired, less amortization	54.0	55.9
Patents and other intangible assets	19.6	21.9
Other noncurrent assets	42.9	27.2
	116.5	105.0
	$800.5	$834.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Intangibles: Costs in excess of the net assets acquired, patents, and other intangible assets are being amortized on a straight-line basis over periods between 10 and 40 years. Accumulated amortization amounted to $29.7 and $25.3 million at June 30, 1994 and 1993, respectively.

Trademarks

BAXTER INTERNATIONAL INC. (DEC)

(in millions)	1994	1993
Total current assets	$ 4,340	$ 4,422
PROPERTY, PLANT AND EQUIPMENT		
At cost	4,431	4,491
Accumulated depreciation and amortization	(1,869)	(1,836)
Net property, plant and equipment	2,562	2,655
OTHER ASSETS		
Goodwill and other intangibles	2,290	2,490
Insurance receivables	446	509
Other	364	469
Total other assets	3,100	3,468
Total assets	$10,002	$10,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Goodwill and other intangible assets

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. Based upon management's assessment of the future undiscounted operating cash flows of acquired businesses, the carrying value of goodwill at December 31, 1994, has not been impaired. As of December 31, 1994 and 1993, goodwill was $1,990 million and $2,098 million, respectively, net of accumulated amortization of $587 million and $538 million, respectively.

Other intangible assets include purchased patents, trademarks, deferred charges and other identified rights which are amortized on a straight-line basis over their legal or estimated useful lives, whichever is shorter (generally not exceeding 17 years). As of December 31, 1994 and 1993, other intangibles were $300 million and $392 million, respectively, net of accumulated amortization of $256 million and $226 million, respectively.

HARCOURT GENERAL, INC. (OCT)

(In thousands)	1994	1993
Total current assets	$2,021,008	$1,503,945
Property and equipment		
Land, buildings and improvements	445,968	494,438
Fixtures and equipment	378,691	301,941
	824,659	796,379
Less accumulated depreciation and amortization	302,989	279,838
Total property and equipment, net	521,670	516,541
Other assets		
Prepublication costs, net	164,160	137,959
Intangible assets	422,566	400,028
Other	112,960	108,807
Total other assets	699,686	646,794
Net assets of discontinued operations	—	464,127
Total assets	$3,242,364	$3,131,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

Intangible assets represent trademarks and goodwill. Amortization is provided on a straight-line method over the estimated useful lives of these assets not exceeding forty years.

4. Intangible Assets

Intangible assets consisted of the following at October 31:

(In thousands)	1994	1993
Goodwill	$431,645	$394,452
Trademarks	73,000	73,000
Other	17,492	17,205
Total	522,137	484,657
Accumulated amortization	(99,571)	(84,629)
Total	$422,566	$400,028

During 1994, the Company acquired several publishing related companies for $36.2 million in cash. Those operations are reflected in the Company's statement of earnings from the date of acquisition.

Amortization expense was $14.9 million in 1994, $14.4 million in 1993 and $14.3 million in 1992.

INGERSOLL-RAND COMPANY (DEC)

In thousands	1994	1993
Intangible assets, net	$124,487	$105,855
Deferred income taxes	74,480	90,913
Other assets	171,200	129,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets: Intangible assets primarily represent the excess of the purchase price of acquisitions over the fair value of the net assets acquired. Such excess costs are being amortized on a straight-line basis over various periods not exceeding 40 years. Intangible assets also represent costs allocated to patents, tradenames and other specifically identifiable assets arising from business acquisitions. These assets are amortized on a straight-line basis over their estimated useful lives. Accumulated amortization at December 31, 1994 and 1993, was $26,476,000 and $19,657,000, respectively. Amortization of intangible assets was $6,815,000, $5,852,000 and $5,597,000 in 1994, 1993 and 1992, respectively.

LADD FURNITURE, INC. (DEC)

Dollar amounts in thousands	1994	1993
Total current assets	$185,447	181,074
Property, plant and equipment, net	109,522	97,497
Intangible and other assets, net — Note 6	83,847	57,166
	$378,816	335,737

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets. Intangible assets consist principally of values assigned to patents, furniture designs, trade names 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. The Company assesses the recoverability of the excess of cost over the assigned value of net assets acquired by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operations.

Note 6: Intangible and Other Assets

A summary of intangible and other assets follows:

In thousands	Dec 31, 1994	Jan 1, 1994
Excess of cost over the assigned value of net assets acquired	$57,038	27,289
Trade names	26,031	26,031
Furniture designs and patents	9,750	10,570
Other	3,041	3,095
	95,860	66,985
Less accumulated amortization	(12,013)	(9,819)
	$83,847	57,166

Licenses

ICO, INC. (SEP)

	1994	1993
Total current assets	$46,965,000	$26,171,000
Property, plant and equipment, at cost	76,374,000	69,294,000
Less — accumulated depreciation and amortization	(48,861,000)	(44,863,000)
	27,513,000	24,431,000
Other assets:		
Goodwill, net	3,663,000	71,000
Patents and licenses, net	264,000	144,000
Other	564,000	536,000
	$78,969,000	$51,353,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill—The excess purchase price over fair value of net tangible assets, goodwill, is being amortized on a straight-line basis over 40 years. The Company periodically reviews goodwill to assess recoverability. Impairments would be recognized in operating results if a permanent diminution in value were to occur. The goodwill amortization charged against earnings in 1994 was $67,000.

Patents and licenses—The cost of patents, patent rights and license agreements is generally amortized over the remaining legal lives of the patents or agreements on a straight-line basis, averaging approximately ten years. Total accumulated amortization associated with such patents and agreements at September 30, 1994 and 1993 was $1,232,000 and $1,146,000, respectively.

Covenants Not To Compete

HUNT MANUFACTURING CO. (NOV)

(In thousands)	1994	1993
Total current assets	$ 95,318	$80,842
Property, plant and equipment, at cost, less accumulated depreciation and amortization	49,729	46,617
Excess of acquisition cost over net assets acquired, less accumulated amortization	17,218	17,054
Intangible assets, at cost, less accumulated amortization	8,764	9,965
Other assets	2,356	1,839
Total assets	$173,385	$156,317

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands)

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

Depreciation and Amortization: Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful life of the asset as follows: buildings, 12 to 40 years; machinery and equipment, four to 12 years; and leasehold improvements over the lease term. Depreciation for tax purposes is computed principally using accelerated methods.

The excess of acquisition cost over net assets acquired is amortized on a straight-line basis over periods ranging from 20 to 40 years. The costs of intangible assets are amortized on a straight-line basis over their respective estimated useful lives, ranging from five to 30 years. Amortization of assets under capital leases which contain purchase options is provided over the assets' useful lives. Other capital leases are amortized over the terms of the related leases or asset lives, if shorter.

4. Excess of Acquisition Cost Over Net Assets Acquired and Intangible Assets:

Excess of acquisition cost over net assets acquired at the end of fiscal years 1994 and 1993 is as follows:

	1994	1993
Excess of acquisition cost over net assets acquired	$20,298	$19,573
Less accumulated amortization	3,080	2,519
	$17,218	$17,054

Intangible assets at the end of fiscal years 1994 and 1993 are as follows:

	1994	1993
Covenants not to compete	$11,648	$11,643
Customer lists	1,510	1,510
Patents	1,533	1,533
Trademarks	1,418	1,400
Licensing agreements	1,154	1,154
Other	1,829	1,751
	19,092	18,991
Less accumulated amortization	10,328	9,026
	$ 8,764	$ 9,965

Customer Lists

ABM INDUSTRIES INCORPORATED (OCT)

(in thousands of dollars)	1994	1993
Total current assets	166,933	189,442
Investments and long-term receivables	7,129	6,841
Property, plant and equipment—at cost	50,838	56,902
Less accumulated depreciation and amortization	(33,795)	(37,083)
Property, plant and equipment—net	17,043	19,819
Intangible assets:		
Goodwill (less accumulated amortization of $7,598 and $9,265)	50,081	51,590
Other	7,704	9,783
Deferred income taxes	13,307	14,982
Other assets	5,943	7,013
	$268,140	$299,470

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Amortization of Intangible Assets: Intangible assets consist of goodwill, customer lists, and noncompete agreements. Goodwill, which represents the excess of cost over fair value of assets of businesses acquired, is amortized on a straight-line basis over periods not exceeding 40 years. It is the Company's policy to carry goodwill applicable to acquisitions prior to 1971 of $1,094,000 at cost until such time as there may be evidence of diminution in value. Goodwill and customer lists in the amounts of approximately $18,860,000 and $1,557,000 related to the System Parking acquisition on September 1, 1993, are being amortized on a straight-line basis over 30 and 10 years, respectively. Customer lists and noncompete agreements are amortized over the estimated period to be benefited, generally from 5 to 10 years. The Company annually evaluates the existence of goodwill impairment on the basis of whether the goodwill is fully recoverable from projected, undiscounted, net cash flows of the related business unit. Impairment would be recognized in operating results if a permanent diminution in value were to occur.

SEI CORPORATION (DEC)

(In thousands)	1994	1993
Total Current Assets	$ 59,137	$ 55,730
Property and Equipment, net of accumulated depreciation and amortization of $69,286 and $58,332	30,496	30,907
Customer Lists, net of accumulated amortization of $5,135 and $4,448	2,940	3,627
Goodwill, net of accumulated amortization of $5,835 and $4,805	4,462	5,492
Other Assets	5,292	4,636
	$102,327	100,392

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Customer Lists—Customer Lists represent the value assigned to customer relationships obtained in connection with various acquisitions. Customer Lists are amortized on a straight-line basis principally over 10 years. Amortization expense was $687,000 in 1994, $686,000 in 1993, and $687,000 in 1992.

Goodwill—Goodwill represents the excess of the purchase price of an acquisition over the value of net assets acquired. Goodwill is amortized on a straight-line basis over 10 years. Amortization expense was $1,030,000 in 1994, $1,029,000 in 1993, and $1,118,000 in 1992.

Reorganization Value

INTERCO INCORPORATED (DEC)

(Dollars in thousands)	1994	1993
Total current assets	$ 404,568	$ 620,894
Property, plant and equipment:		
Land	11,933	11,933
Buildings and improvements	111,076	106,623
Machinery and equipment	115,407	106,354
	238,416	224,910
Less accumulated depreciation	57,023	33,329
Net property, plant and equipment	181,393	191,581
Reorganization value in excess of amounts allocable to identifiable assets, net (Note 2)	128,414	135,716
Trademarks and trade names, net	147,353	151,274
Other assets	30,150	21,025
	$891,878	$1,120,490

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

2 (In Part): Significant Accounting Policies

Reorganization Value in Excess of Amounts Allocable to Identifiable Assets

As a result of adopting fresh-start reporting, the Company recorded reorganization value in excess of amounts allocable to identifiable assets of approximately $146,000. This intangible asset is being amortized on a straight-line basis over a 20 year period.

Signing Bonus

CPI CORP. (JAN)

	1995	1994
Total current assets	$ 81,982,453	$127,771,055
Net property and equipment	159,125,536	114,328,773
Other assets:		
Intangible assets	56,362,451	60,944,867
Other long-term assets	3,010,636	2,751,641
Total assets	$300,481,076	$305,796,336

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

Intangible assets were acquired through acquisitions accounted for by the purchase method of accounting and include the excess of cost over fair value of net assets acquired, favorable lease rights, covenants not to compete and a signing bonus. The excess of cost over fair value of net assets acquired and favorable lease rights are being amortized on a straight-line basis over periods ranging from five to forty years. The covenants not to compete and signing bonus are being amortized on a straight-line basis over the respective periods of the agreements, which range from one to five years.

The Company analyzes excess of cost over fair-value of net assets acquired periodically to determine whether any impairment has occurred in the value of such assets. Based upon the anticipated future income and cash from operations, in the opinion of Company management, there has been no impairment.

7. Intangible Assets

Intangible assets and related amortization are as follows (amounts in thousands):

	Unamortized Balance at February 4, 1995	Amortization 1994	1993	1992
Excess of cost over fair value of net assets acquired	$53,621	$1,478	$1,598	$1,502
Favorable lease rights	212	120	194	329
Covenants not to compete	1,418	1,118	1,114	913
Signing bonus	1,111	1,333	2,000	355
	$56,362	$4,049	$4,906	$3,099

Accumulated amortization of intangible assets was $14.1 million and $10.1 million at February 4, 1995 and February 4, 1994, respectively.

Permits

CLEAN HARBORS, INC. (DEC)

(in thousands)	1994	1993
Other assets:		
Goodwill (net)	$22,926	$23,650
Permits (net)	14,244	14,906
Other	815	754
	37,985	39,310

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Significant Accounting Policies

(i) Goodwill and Permits. Goodwill and permits, as further discussed in Notes 5 and 6, are stated at cost and are being amortized using the straight-line method over 20 years for permits and periods ranging from 20 to 40 years for goodwill.

6. Intangible Assets

Below is a summary of intangible assets at December 31, 1994 and 1993

(in thousands):	1994	1993
Permits	$17,536	$17,303
Goodwill	27,529	27,529
	45,065	44,832
Less—accumulated amortization	7,895	6,276
	$37,170	$38,556

Amortization expense approximated $1,619,000, $1,433,000, and $1,325,000 for the years 1994, 1993, and 1992, respectively. The Company continually reevaluates the propriety of the carrying amount of permits and goodwill as well as the amortization period to determine whether current events and circumstances warrant adjustments to the carrying value and estimates of useful lives. At this time, the Company believes that no significant impairment of goodwill or permits has occurred and that no reduction of the estimated useful lives is warranted.

Formulas

GUARDSMAN PRODUCTS, INC. (DEC)

(In Thousands)	1994	1993
Total current assets	$ 73,561	$57,021
Property, plant and equipment—net	27,977	22,284
Goodwill, less accumulated amortization of $3,251 in 1994 and $2,657 in 1993	20,336	7,828
Other intangibles, less accumulated amortization of $5,374 in 1994 and $4,003 in 1993	12,587	6,473
Deferred income taxes		1,405
Other assets	2,591	1,943
	$137,052	$96,954

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill and Other Intangible Assets

Goodwill represents the amount by which the cost of businesses purchased exceeds the fair value of the net assets acquired. Goodwill and other intangible assets are amortized over periods ranging from 5 to 40 years using the straight-line method. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill and other intangible assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that the asset should be evaluated for possible impairment, the Company uses an estimate of the related business segment's undiscounted net cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Such adjustments were not significant in 1994, 1993 and 1992. Other intangible assets in the accompanying balance sheet include, among other things, formulas totaling $9,928,000 and $2,746,000 at December 31, 1994 and 1993, respectively.

Intangible Pension Asset

NATIONAL STEEL CORPORATION (DEC)

(In Thousands of Dollars)	1994	1993
Net property, plant and equipment	$1,393,928	$1,398,737
Deferred income taxes	101,300	80,600
Intangible pension asset	76,677	128,765
Other assets	46,977	36,692

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Pensions

The funded status of the Company's plans at year end along with the actuarial assumptions utilized are as follows:

(in thousands of dollars)	1994	1993
Assumptions:		
Discount rate	8.75%	7.50%
Average rate of compensation increase	4.71%	4.40%
Funded status:		
Accumulated benefit obligations ("ABO") including vested benefits of $1,093,091 and $1,280,360 for 1994 and 1993, respectively	$1,188,012	$1,345,592
Effect of future pensionable earnings increases	75,017	90,589
Projected benefit obligations ("PBO")	1,263,029	1,436,181
Plans' assets at fair market value	976,654	1,089,273
PBO in excess of plan assets at fair market value	286,375	346,908
Unrecognized transition obligation	(66,827)	(80,197)
Unrecognized net gain	91,170	24,107
Unrecognized prior service cost	(119,917)	(125,788)
Adjustment required to recognize minimum pension liability	76,677	134,691
Total pension liability	267,478	299,721
Less pension obligation due within one year	—	10,928
Long term pension liability	$ 267,478	$288,793

As a result of an increase in long term interest rates during 1994, at December 31, 1994, the Company increased the discount rate used to calculate the actuarial present value of it's ABO by 125 basis points to 8.75% from the rate used at December 31, 1993.

The adjustment required to recognize the minimum pension liability of $76.7 million and $134.7 million at December 31, 1994 and 1993, respectively, represents the excess of the ABO over the fair value of plan assets, including unfunded accrued pension cost, in underfunded plans. The unfunded liability in excess of the unrecognized prior service cost of $5.9 million was recorded as a reduction in stockholders' equity at December 31, 1993. Due to the aforementioned increase in the discount rate, substantially all of this charge was reversed at December 31, 1994.

OTHER NONCURRENT ASSET CAPTIONS

Table 2-19 summarizes the nature of assets (other than property, investments, noncurrent receivables, and intangible assets) classified as noncurrent assets on the balance sheets of the survey companies. Examples of other noncurrent asset presentations and disclosures, except assets leased to others, follow. Examples of assets leased to others are presented in connection with Table 2-28.

TABLE 2-19: OTHER NONCURRENT ASSETS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Deferred income taxes	167	169	95	34
Prepaid pension costs	95	83	81	87
Property held for sale	55	63	73	60
Debt issue costs	47	46	34	45
Software	41	37	29	35
Segregated cash or securities	38	23	33	33
Assets of nonhomogeneous operations	25	30	29	26
Cash surrender value of life insurance	24	18	18	18
Assets leased to others	23	14	19	25
Start-up costs	20	19	17	15
Other identified noncurrent assets	50	42	50	48

Deferred Income Taxes

CATERPILLAR INC. (DEC)

(Dollars in millions)	1994	1993
Total current assets	$ 7,409	$ 6,071
Land, buildings, machinery, and equipment—net	3,776	3,827
Long-term receivables—trade and other	125	132
Long-term receivables—finance	2,669	2,152
Investments in affiliated companies	455	395
Investments in Financial Products subsidiaries	—	—
Deferred income taxes (note 8)	1,243	1,321
Intangible assets	237	353
Other assets	336	556
Total assets	$16,250	$14,807

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

8 (In Part): Income taxes

Differences between accounting rules and tax laws cause differences between the bases of certain assets and liabilities for financial reporting purposes and tax purposes. The tax effects of these differences, to the extent they are temporary, are recorded as deferred tax assets and liabilities under SFAS 109, and consisted of the following components at December 31:

	1994	1993	1992
U.S. federal, U.S. state, and foreign taxes:			
Deferred tax assets:			
Postemployment benefits other than pensions	$1,331	$1,345	$1,316
Inventory valuation method	62	66	71
Unrealized profit excluded from inventories	156	193	209
Plant closing and consolidation costs	55	58	69
Net operating loss carryforwards	166	253	239
Warranty accruals	108	67	50
Accrued vacation	29	29	30
Qualified deficits	33	54	40
Foreign tax credit carryforwards	—	62	11
Minimum tax credit carryforwards	—	18	30
Other	155	126	40
	2,095	2,271	2,105
Deferred tax liabilities:			
Capital assets	(84)	(77)	(68)
Pension	(36)	(22)	(49)
	(120)	(99)	(117)
Valuation allowance for deferred tax assets	(182)	(284)	(265)
Deferred taxes—net	$1,793	$1,888	$1,723

From December 31, 1993 to December 31, 1994, the valuation allowance for deferred tax assets decreased by $102. This was the result of origination and reversal of temporary differences, changes in exchange rates at certain foreign locations where valuation allowances are recorded, and a change in the conclusion regarding the need for a valuation allowance at one of the company's foreign subsidiaries.

SFAS 109 requires that individual tax paying entities of the company offset all current deferred tax liabilities and assets within each particular tax jurisdiction and present them as a single amount in the Statement of Financial Position. A similar procedure is followed for all noncurrent deferred tax liabilities and assets. Amounts in different tax jurisdictions cannot be offset against each other. Deferred taxes appear in the Statement of Financial Position, at December 31, on the following lines:

	1994	1993	1992
Assets:			
Deferred income taxes and prepaid expenses	$ 575	$ 584	$ 491
Deferred income taxes	1,243	1,321	1,254
	1,818	1,905	1,745
Liabilities:			
Deferred and current income taxes payable	(6)	(2)	(3)
Deferred income taxes and other liabilities	(19)	(15)	(19)
	(25)	(17)	(22)
Deferred taxes—net	$1,793	$1,888	$1,723

DRAVO CORPORATION (DEC)

(In thousands)	1994	1993
Total current assets	$160,137	$108,304
Advances to and equity in joint ventures	2,536	4,348
Notes receivable	5,061	6,870
Other assets	21,281	17,729
Deferred income taxes (Note 13)	24,853	24,853
Property, plant and equipment:		
Land	6,127	23,673
Mine development	8,376	8,148
Building and improvements	9,722	22,830
Floating equipment	—	36,972
Machinery and other equipment	171,108	220,199
	195,333	311,822
Less accumulated depreciation and amortization	101,872	201,854
Net property, plant and equipment	93,461	109,968
Total assets	$307,329	$272,072

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows:

(in thousands)	1994	1993
Deferred tax assets:		
Provision for discontinued operations	$ 7,477	$ 9,039
Accounts receivable, principally due to allowance for doubtful accounts	296	439
Inventories, principally due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	215	214
Compensated absences, principally due to accrual for financial reporting purposes	745	758
Net operating loss carryforwards	61,713	59,313
Investment tax credit carryforward	2,543	2,992
Other	721	2,025
Total gross deferred tax assets	73,710	74,780
Less valuation allowance	(30,323)	(31,663)
Net deferred tax assets	43,387	43,117
Deferred tax liabilities:		
Properties and equipment, principally due to depreciation	13,682	15,603
Pension accrual	4,682	2,647
Other	170	14
Total gross deferred tax liabilities	18,534	18,264
Net deferred tax asset	$24,853	$24,853

The net change in the total valuation allowance for the years ended December 31, 1994 and 1993 was a decrease of $1.3 million and $22.4 million, respectively.

The company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS 109) effective January 1, 1993. The statement requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their bases for financial reporting purposes. In addition, SFAS 109 requires the recognition of future tax benefits, such as net operating loss carryforwards (NOLs), to the extent that realization of such benefits are more likely than not. There was no cumulative effect of this accounting change at the time of adoption.

The company had NOLs of approximately $181.5 million at December 31, 1994 because of losses associated with discontinued businesses. These carryforwards, which management expects will be fully utilized, expire as follows:

(In thousands)	
2002	$18,039
2003	76,662
2004	39,012
2005	17,428
2006	7,336
2007	2,744
2008	13,228
2009	7,061

Under the provisions of SFAS 109, NOLs represent temporary differences that enter into the calculation of deferred tax assets and liabilities. At January 1, 1993, primarily as a result of the NOLs, the company was in a net deferred tax asset position under SFAS 109. The full amount of the deferred tax asset was offset by a valuation allowance due to uncertainties associated with unresolved issues related to discontinued operations.

In the fourth quarter of 1993, the company reduced its valuation allowance resulting in a net deferred tax asset of $24.9 million. Two factors contributed to the reduction in the valuation allowance. First was the resolution of longstanding litigation between the company and the City of Long Beach, Calif., regarding a waste-to-energy plant the company built for the city and the ability to quantify, relying upon advice of legal counsel, the potential financial impact of the remaining uncertainties associated with previously discontinued operations. Second, the company was awarded a contract to supply American Electric Power's Gavin plant with 450,000 tons of lime annually for 15 years commencing in 1995. In addition, the company had pending the renewal of existing contracts which were finalized in 1994 and raised utility lime sales backlog to $800 million. With these contracts in place, nearly 65 percent of the company's annual revenue will be generated by long-term contracts. As a result, the company believes that revenues and income from its lime subsidiary can be reasonably projected over the life of its long-term contracts for purposes of determining whether the realization of the asset resulting from the utilization of NOLs in future years is more likely than not.

Income projections for the contract lime business were based on historical information adjusted for contract terms. In 1993, the company projected future income for its aggregates business based on the previous three years' results, a period of low profitability for Dravo Basic Materials. The aggregates business assets were sold in 1994.

In assessing the valuation allowance, estimates were made as to the potential financial impact on the company should adverse judgments be rendered in the remaining substantive uncertainties associated with discontinued operations. The significant uncertainties involve the CEA litigation related to contract claims and environmental matters and are discussed more fully in Note 8, Contingent Liabilities. Management's position in these cases is to vigorously pursue its claims and to contest the asserted contract claims and liability for environmental clean-up. In determining the appropriate valuation allowance, however, management has used the upper limit of the potential financial impact estimated for these matters. The claims against the company in the CEA matter, which management believes are grossly overstated, exceed $10 million.

Supported by the company's forecast that it will generate sufficient future taxable income to realize the entire deferred tax asset prior to expiration of any NOLs results in the assessment that the realization of a $24.9 million net deferred tax asset is more likely than not. In order to fully realize the net deferred tax asset, the company will need to generate future taxable income of approximately $73.2 million prior to the expiration of the NOLs.

Historically, Dravo Lime's cumulative taxable earnings for the past five years total $64.8 million. There can be no assurance, however, that the company will generate any earnings or any specific level of continuing earnings.

The amount of the net deferred tax asset was not adjusted in 1994 due to remaining uncertainties associated with the discontinued operations. Resolution of the Melaport litigation should, however, positively impact the realization of the net deferred tax asset.

Tax benefits of $7.5 million for investment tax credits expiring in 1995 and later are also being carried forward.

The company recorded an extraordinary credit of $1.6 million for the year ended December 31, 1992, representing the recognition of income tax benefits resulting from the utilization of net operating loss carryforwards for financial reporting purposes.

THE BFGOODRICH COMPANY (DEC)

(Dollars in millions)	1994	1993
Current Assets		
Cash and cash equivalents	$ 35.8	$ 33.4
Accounts and notes receivable	384.5	320.6
Inventories	358.8	340.6
Deferred income tax assets (Note G)	64.9	69.1
Prepaid expenses	34.8	30.1
Total Current Assets	878.8	793.8
Deferred Income Tax Assets (Note G)	57.0	62.1
Property	873.3	836.0
Goodwill and Identifiable Intangible Assets	549.5	545.9
Intangible Pension Asset	49.5	56.1
Other Assets	60.8	66.0
Total Assets	$2,468.9	$2,359.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Income Taxes

Significant components of deferred income tax assets and liabilities at December 31, 1994 and 1993, are as follows:

(In millions)	1994	1993
Deferred income tax assets:		
Accrual for postretirement benefits other than pensions	$131.6	$130.1
Other nondeductible accruals	65.1	60.2
Tax credit and net operating loss carryovers	36.0	25.7
Other	31.4	32.6
Total deferred income tax assets	264.1	248.6
Deferred income tax liabilities:		
Tax over book depreciation	(88.3)	(81.4)
Other	(53.9)	(36.0)
Total deferred income tax liabilities	(142.2)	(117.4)
Net deferred income taxes	$121.9	$131.2

Management has determined, based on the Company's history of prior operating earnings and its expectations for the future, that operating income of the Company will more likely than not be sufficient to recognize fully these net deferred tax assets. In addition, management's analysis indicates that the turnaround periods for certain of these assets are for long periods of time or are indefinite. In particular, the turnaround of the largest deferred tax asset related to accounting for postretirement benefits other than pensions will occur over an extended period of time and as a result will be realized for tax purposes over those future periods and beyond. In addition, the tax credit carryovers are principally comprised of alternative minimum tax credits of $24.3 million which have indefinite carryover periods and other tax credits of $8.2 million which will expire from 1999 through 2009. The remaining deferred tax assets and liabilities approximately match each other in terms of timing and amounts and should be realizable in the future given the Company's operating history.

INLAND STEEL INDUSTRIES, INC. (DEC)

Dollars in Millions	1994	1993
Current assets:		
Cash and cash equivalents	$ 107.1	$ 250.5
Receivables less provision for allowances, claims and doubtful accounts of $24.9 and $28.2, respectively	503.6	427.3
Inventories	429.5	376.9
Deferred income taxes (Note 12)	41.3	44.2
Total current assets	1,081.5	1,098.9
Investments and advances	225.1	221.0
Property, plant and equipment, at cost, less accumulated depreciation	1,610.3	1,507.7
Deferred income taxes (Note 12)	379.0	428.4
Intangible pension assets	—	122.1
Excess of cost over net assets acquired	25.0	26.4
Deferred charges and other assets	32.5	31.3
Total assets	$3,353.4	$3,435.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Income Taxes

In accordance with FASB Statement No. 109, the Company adjusted its deferred tax assets and liabilities for the effect of the change in the corporate Federal income tax rate from 34 percent to 35 percent, effective January 1,1993. A credit to income of $11 million, which includes the effect of the rate change on deferred tax asset and liability balances as of January 1, 1993 as well as the effect on 1993 tax benefits recorded by the Company prior to the enactment date of August 10, 1993, was recorded in the third quarter of 1993.

The components of the deferred income tax assets and liabilities arising under FASB Statement No. 109 were as follows:

	December 31	
Dollars in Millions	1994	1993
Deferred tax assets (excluding postretirement benefits other than pensions):		
Net operating loss and tax credit carryforwards	$309	$354
Restructuring and termination accruals	87	95
Other deductible temporary differences	105	104
Less valuation allowances	(5)	(9)
	496	544
Deferred tax liabilities:		
Fixed asset basis difference	443	430
Other taxable temporary differences	84	86
	527	516
Net deferred asset (liability) (excluding postretirement benefits other than pensions)	(31)	28
FASB Statement No. 106 impact (postretirement benefits other than pensions)	451	445
Net deferred asset	$420	$473

For tax purposes, the Company had available, at December 31, 1994, net operating loss ("NOL") carry forwards for regular Federal income tax purposes of approximately $793 million which will expire as follows: $68 million in year 2005, $313 million in year 2006, $280 million in year 2007, and $132 million in the year 2008. The Company also had investment tax credit and other general business credit carryforwards for tax purposes of approximately $14 million, which expire during the years 1995 through 2006. A valuation allowance has been established for those tax credits which are not expected to be realized. Additionally, in conjunction with the Alternative Minimum Tax ("AMT") rules, the Company had available minimum tax credit carryforwards for tax purposes of approximately $18 million, which may be used indefinitely to reduce regular Federal income taxes.

The Company believes that it is more likely than not that the $793 million of NOL carryforwards will be utilized prior to their expiration. This belief is based upon the factors discussed below.

The NOL carryforwards and existing deductible temporary differences (excluding those relating to FASB Statement No. 106) are substantially offset by existing taxable temporary differences reversing within the carryforward period. Furthermore, any such recorded tax benefits which would not be so offset are expected to be realized by achieving future profitable operations based on the following:

First, the Company launched a turnaround strategy to improve performance by implementing a cost reduction program and enhancing asset utilization. This resulted in a $215 million restructuring provision in 1991 to write off uneconomic facilities and provide for workforce reductions at the Inland Steel Company and the Company.

Second, in 1992 Inland Steel Company completed a major plant and equipment investment program that amounted to approximately $1.3 billion since 1988. This included the joint ventures of I/N Tek and I/N Kote and major upgrades to facilities in the flat products and bar business. As expected, these facility upgrades resulted in significant start-up costs and disruptions to operations that negatively impacted financial results. By early 1994, all facilities reached their design capabilities. This major investment program also shifted the product mix to higher value-added products which historically have not experienced significant price volatility. Consequently, the Company is now positioned with modern facilities that will enhance its ability to generate taxable profits.

Finally, the Company operates in a highly cyclical industry and consequently has had a history of generating and then fully utilizing significant amounts of NOL carryforwards (during the years 1986-1989 the Company utilized approximately $600 million of NOL carryforwards, and in 1994 utilized $134 million of NOL carryforwards.)

Subsequent to the adoption of FASB Statement No. 109, the Company adopted FASB Statement No. 106 and recognized the entire transition obligation at January 1, 1992, as a cumulative effect charge in 1992 (Note 11). At December 31, 1994, the deferred tax asset related to the Company's FASB Statement No. 106 obligation was $451 million. To the extent that future annual charges under FASB Statement No. 106 continue to exceed deductible amounts, this deferred tax asset will continue to grow. Thereafter, even if the Company should have a tax loss in any year in which the deductible amount would exceed the financial statement expense, the tax law provides for a 15-year carryforward period of that loss. Because of the extremely long period that is available to realize these future tax benefits, a valuation allowance for this deferred tax asset is not necessary.

NAVISTAR INTERNATIONAL CORPORATION (OCT)

(Million of dollars)	1994	1993
ASSETS		
Cash and cash equivalents	$ 557	$ 421
Marketable securities	304	218
Receivables, net	1,517	1,550
Inventories	429	411
Prepaid pension assets	63	82
Property and equipment, net	578	636
Equity in Financial Services subsidiaries	—	—
Investments and other assets	165	224
Intangible pension assets	309	340
Deferred tax asset — Note 5	1,134	1,178
Total assets	$5,056	$5,060

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Income Taxes

The Company adopted SFAS 109, "Accounting for Income Taxes" in fiscal 1993. Under SFAS 109, deferred tax assets and liabilities are generally determined based on the difference between the financial statements and the tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Recognition of a deferred tax asset is allowed if future realization is more-likely-than-not.

The Income Tax section of Management's Discussion and Analysis includes disclosures related to the determination of the amount of the net deferred tax asset included in the Statement of Financial Condition.

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The following is a summary of deferred tax assets and liabilities at October 31:

Millions of dollars	1994	1993
Deferred tax assets:		
Total deferred tax assets	$1,431	$1,483
Less valuation allowances	(297)	(305)
Net deferred tax assets	$1,134	$1,178
Deferred tax liabilities, included in other long-term liabilities	$ 16	$ 16

The components of the deferred tax asset (liability) at October 31 are as follows:

Millions of dollars	1994		1993	
United States Deferred tax assets: Net operating loss carryforwards		$ 872		$ 916
Alternative minimum tax		3		—
Accrued liabilities: Product liability	$ 63		$ 71	
Warranty	38		37	
Employee related costs	62		38	
Other	76	239	96	242
Postretirement benefits: Health care and life insurance	266		271	
Pensions	81	347	87	358
Total deferred tax assets		1,461		1,516
Deferred tax liabilities: Prepaid pension assets		(10)		(19)
Depreciation		(39)		(41)
Total deferred tax liabilities		(49)		(60)
Total		1,412		1,456
Less valuation allowance		(278)		(278)
Net deferred tax asset		$1,134		$1,178
Foreign Deferred tax assets: Net operating loss carryforwards		$ 3		$ 11
Postretirement benefits		16		16
Total deferred tax assets		19		27
Deferred tax liabilities: Prepaid pension assets		(16)		(16)
Total deferred tax liabilities		(16)		(16)
Total		3		11
Less valuation allowance		(19)		(27)
Net deferred tax liabilities		$ (16)		$ (16)

A valuation allowance has been provided for those net operating loss carryforwards and temporary differences which are estimated to expire before they are utilized. Because the foreign tax carryforward period is relatively short, a full allowance has been provided against the total deferred tax assets. The valuation allowance decreased $8 million during 1994 resulting from recognizing tax benefits from the utilization of NOL carryforwards attributable to 1994 foreign operating income and fluctuations in foreign exchange rates.

Tax paying entities of the Company offset all deferred tax assets and liabilities within each tax jurisdiction and present them in a single amount in the Statement of Financial Condition. Amounts in different tax jurisdictions cannot be offset against each other. Accordingly, the U.S. deferred tax asset is shown in the Statement of Financial Condition as a deferred tax asset, whereas the foreign deferred tax liability is included in the amount shown for other long-term liabilities.

At October 31,1994, the Company had $2,295 million of domestic and $6 million of foreign NOL carryforwards available to offset future taxable income. Such carryforwards reflect income tax losses incurred which will expire as follows, in millions of dollars:

1997	$ 182
1998	377
1999	35
2000	300
2001	143
2002	47
2004	234
2005	7
2006	126
2007	41
2008	809
Total	$2,301

Additionally, the estimated reversal of net temporary differences of $1,454 million as of October 31, 1994, will create net tax deductions which, if not utilized previously, will expire subsequent to 2008, as indicated, in millions of dollars:

Prepaid Pension Costs

SAFEWAY INC. (DEC)

(In millions)	1994	1993
Property, net	$2,506.4	$2,560.1
Goodwill, net of accumulated amortization of $95.0 and $86.2	331.1	347.6
Prepaid pension costs	319.6	307.1
Investments in unconsolidated affiliates	329.3	303.4
Other assets	98.1	92.5

NOTES TO THE FINANCIAL STATEMENTS

G (In Part): Employee Pension and Benefit Plans

U.S. and Canadian Retirement Plans (the "Plans")

The Company maintains defined benefit, non-contributory pension plans for substantially all of its U.S. and Canadian employees not participating in multi-employer pension plans. Benefits are generally based upon years of service, age at retirement date, and employee compensation during the last years of employment. The Company's funding policy is to contribute annually the amount necessary to satisfy the statutory funding standards. Through year-end 1994, the assets of the U.S. Plan have exceeded its actuarially determined liabilities by such amounts that the U.S. Plan was considered fully funded for purposes of contribution requirments.

Accordingly, no Company contributions were made to the U.S. Plan during the last three years. In 1994 and 1993, the Company contributed $11.5 million and $1.2 million to the Canadian Plan. No contributions were made to the Canadian Plan in 1992. Assets of the Plans are primarily composed of equity and interest-bearing securities.

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The funded status of the Plans at year-end was as follows (in millions):

	1994	1993
Fair value of assets at year-end	$1,040.3	$1,139.4
Actuarially determined present value of:		
Vested benefit obligations	545.1	612.4
Nonvested benefit obligations	7.8	9.0
Accumulated benefit obligations	552.9	621.4
Additional amounts related to projected compensation increases	84.3	100.0
Projected benefit obligations	637.2	721.4
Fair value of assets in excess of projected benefit obligations	403.1	418.0
Adjustment for difference in book and tax basis of assets	(165.1)	(167.1)
Unamortized prior service costs resulting from improved Plan benefits	71.0	61.8
Net loss (gain) from actuarial experience which has not been recognized in the consolidated financial statements	10.6	(5.6)
Prepaid pension costs	$319.6	$307.1

Property Held For Sale

GENERAL DYNAMICS CORPORATION (DEC)

(Dollars in millions)	1994	1993
Noncurrent Assets:		
Leases receivable—finance operations ...	$220	$236
Real estate held for development	128	142
Property, plant and equipment, net	264	302
Other assets	264	301
Total Noncurrent Assets	876	981

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Real Estate Held for Development. As a result of the sale of businesses discussed in Note B, certain properties were retained by the company. These properties are carried at the lower of cost or net realizable value.

THE PERKIN-ELMER CORPORATION (JUN)

(Dollar amounts in thousands)	1994	1993
Total current assets	$514,698	$474,924
Properties, Plant and Equipment, net	149,071	162,689
Other Assets		
Other long-term assets	164,524	152,735
Net assets of discontinued operations	56,207	60,722
Total other assets	220,731	213,457
Total Assets	$884,500	$851,070

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Mergers and Divestitures

Discontinued Operations

Legal Settlement. During the first quarter of fiscal 1994, the Company paid $15.5 million to settle potential claims related to the Hubble Space Telescope mirror. This amount, which included legal costs, resulted in an after-tax charge of $15.2 million and is recorded in discontinued operations. In 1989, the Company had sold the unit which performed the work on the telescope to a subsidiary of Hughes Aircraft Company.

Material Sciences Segment. On July 29, 1993, the Company announced its plans to divest its Material Sciences segment which consists of the Company's Metco division (Metco) headquartered in Westbury, New York. Metco produces combustion, electric arc and plasma thermal spray equipment and supplies. The Company has entered into an agreement with Sulzer Inc., a wholly-owned subsidiary of Sulzer, Ltd., Winterthur, Switzerland, for the sale of Metco. The completion of the sale is subject to closing conditions, including receipt of relevant government regulatory approvals. The transaction has taken longer to complete than expected due primarily to obtaining necessary government approvals in both the U.S. and Europe. As a result of this and negative operating factors, the Company recorded an after-tax loss on disposal of $7.7 million during the fourth quarter of fiscal 1994.

The net assets and operating results of Metco are presented in the accompanying consolidated financial statements as a discontinued operation.

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The net assets of Metco have been segregated in the June 30, 1994 and 1993 Consolidated Statements of Financial Position and are summarized below:

(Dollar amounts in millions)	1994	1993
Assets:		
Accounts receivable, net	$25.6	$27.1
Inventories	26.3	28.3
Other current assets	1.2	1.2
Property, plant and equipment, net	20.1	19.6
Other long-term assets	3.9	4.1
Total Assets	77.1	80.3
Liabilities:		
Accounts payable	5.3	4.1
Other accrued expenses	3.1	4.0
Other current liabilities	3.5	5.3
Long-term liabilities	4.3	3.3
Total Liabilities	16.2	16.7
Cumulative translation adjustments	4.7	2.9
Net Assets	$56.2	$60.7

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

(in millions)	1994	1993
Total current assets	$ 4,720	$ 4,774
Plant and equipment, net	1,898	1,964
Intangible and other noncurrent assets	3,572	3,815
Net assets of Discontinued Operations (note 2)	434	—
Total assets	$10,624	$10,553

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Discontinued Operations

In November 1992, the Corporation announced the Plan that included exiting Financial Services through the disposition of its asset portfolios and the sales of DCBU and WESCO. The disposition of Financial Services assets involved the sale of the real estate and corporate finance portfolios over a three-year period and the liquidation of the leasing portfolio over a longer period of time in accordance with contractual terms. Financial Services, DCBU and WESCO have been accounted for as discontinued operations in accordance with APB 30.

Upon adoption of the Plan, the Corporation recorded a pre-tax charge of $2,201 million in Discontinued Operations consisting of $2,350 million for an addition to the valuation allowance for Financial Services portfolios; $300 million for estimated losses from operations for Financial Services during the phase-out period; and $144 million for restructuring charges related to the change in corporate strategy. These charges were partially offset by an estimated $449 million gain from the dispositions of DCBU and WESCO and an estimated $144 million of earnings from those operations during their phase-out periods. The after-tax charge for the estimated loss on the disposal of Discontinued Operations was $1,383 million.

Based on its quarterly review of the assumptions used in determining the estimated loss from Discontinued Operations, the Corporation recorded in the fourth quarter of 1993 an additional pre-tax provision for loss on disposal of Discontinued Operations of $148 million. This change in the estimated loss resulted from a reduction of the expected selling prices of WESCO and the Australian subsidiary of DCBU; a decision to sell in bulk a Financial Services residential development that the Corporation, upon adoption of the Plan, had intended to develop; and a revision to the estimated interest costs expected to be incurred by the Discontinued Operations during the disposal period.

On January 31, 1994, the Corporation completed the sale of DCBU, excluding its Australian subsidiary, to Eaton Corporation for a purchase price of $1.1 billion and the assumption by the buyer of certain liabilities. The sale of the Australian subsidiary was completed in March 1994.

On February 28, 1994, the Corporation completed the sale of WESCO to an affiliate of Clayton, Dubilier & Rice, Inc., a private investment firm, for a purchase price of approximately $340 million. The proceeds consisted of approximately $275 million in cash, approximately $50 million in first mortgage notes, and the remainder in stock and options of the new company.

The portfolio investments of Financial Services have been reduced from $8,967 million at year-end 1992 to $1,230 million at December 31, 1994. Substantially all of the remaining real estate assets of $297 million at December 31, 1994 are expected to be liquidated in 1995. The Financial Services corporate portfolio essentially has been liquidated. The leasing portfolio, which totalled $924 million at December 31, 1994, is expected to continue to liquidate through 2015 in accordance with contractual terms.

The assets and liabilities of Discontinued Operations have been separately classified on the balance sheet as net assets (liabilities) of Discontinued Operations. A summary of these assets and liabilities follows:

NET ASSETS (LIABILITIES) OF DISCONTINUED OPERATIONS
(in millions)

At December 31	1994	1993*
Assets:		
Cash and cash equivalents	$ 6	$ 611
Other current assets	1	742
Portfolio investments	1,230	1,551
Deferred income taxes (note 5)	340	415
Accrued estimated gain on sale of DCBU & WESCO	—	441
Other noncurrent assets	220	735
Total assets—Discontinued Operations	1,797	4,495
Liabilities:		
Accounts payable	12	182
Other current liabilities	34	231
Short-term debt (note 10)	374	2,373
Current maturities of long-term debt (note 12)	230	774
Liability for estimated loss on disposal	145	488
Other noncurrent liabilities	—	11
Long-term debt (note 12)	568	647
Total liabilities—Discontinued Operations	1,363	4,706
Net assets (liabilities) of Discontinued Operations	$ 434	$ (211)

* Certain amounts have been reclassified for comparative purposes.

Of the remaining $1.2 billion of net debt of Discontinued Operations, approximately $700 million is expected to be repaid in 1995. Approximately $300 million is expected to be repaid through the liquidation of portfolio investments of Financial Services. The remaining 1995 debt repayment of $400 million will occur as cash is received from Continuing Operations, the timing of which is expected to coincide with sales of nonstrategic businesses. The Corporation expects to reduce the debt of Discontinued Operations to that amount which is supportable by the leasing portfolio and can be repaid as that portfolio liquidates over its contractual term. As a result, additional cash may be required from Continuing Operations.

The cash receipts from Continuing Operations represent reimbursements for deferred income tax benefits related to the prior losses of Discontinued Operations that have been or are expected to be utilized by the Corporation to offset tax obligations of Continuing Operations.

Management believes that the combination of the net proceeds anticipated from the continued liquidation of assets of Discontinued Operations and from the ultimate realization of deferred income tax benefits will be sufficient to fund Discontinued Operations. Management further believes that the liability for the estimated loss on disposal of Discontinued Operations is adequate. The adequacy of this liability is evaluated each quarter.

Debt Issue Costs

AMERICAN STANDARD COMPANIES INC. (DEC)

(Dollars in thousands)	1994	1993
Total current assets	$ 1,064,543	$ 941,683
Facilities, at cost net of accumulated depreciation	812,684	820,523
Other assets		
Goodwill, net of accumulated amortization — 1994, $208,973; 1993, $169,879	1,053,042	1,025,774
Debt issuance costs, net of accumulated amortization — 1994, $23,928; 1993, $9,670	64,095	78,102
Other	161,754	120,997
	3,156,118	2,987,079

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Accounting Policies

Debt Issuance Costs—The costs related to the issuance of debt are capitalized and amortized to interest expense using the effective interest method over the lives of the related debt.

Software Development Costs

DSC COMMUNICATIONS CORPORATION (DEC)

(In thousands)	1994	1993
Total current assets	$ 738,454	$ 602,031
Property and equipment, net	282,963	179,783
Long-term receivables	25,691	16,515
Capitalized software development costs	38,583	33,485
Cost in excess of net assets of businesses acquired, net	152,396	50,317
Other	30,449	18,286
Total assets	1,268,536	900,417

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 require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future 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 revenues for a product to the total of current and anticipated future 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. Capitalized software development costs were $38.6 million and $33.5 million at December 31, 1994 and 1993, respectively, net of accumulated amortization costs of $18.2 million and $18.6 million, respectively.

All other research and development expenditures are charged to research and development expense in the period incurred.

JOSTENS INC. (JUN)

(Dollars in thousands)	1994	1993
Total current assets	$ 396,117	$ 401,586
Other Assets		
Intangibles	47,737	47,005
Software development costs	29,356	52,724
Other	20,850	23,247
Total Other Assets	97,943	122,976
Property and Equipment		
Land	5,277	7,032
Buildings	38,131	44,288
Machinery and equipment	164,233	167,571
	207,641	218,891
Accumulated depreciation	(131,870)	(130,003)
Total property and equipment	75,771	88,888
	569,831	613,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Software Development Costs. Jostens Learning capitalizes software development costs when the project reaches technological feasibility and ceases capitalization when the product is ready for release. Research and development costs related to software development that has not reached technological feasibility are expensed as incurred. Software development costs are amortized on the straight-line method over a maximum of five years or the expected life of the product, whichever is less. Amortization of capitalized software costs for June 30, 1994, 1993 and 1992, was $15.5 million, $10.9 million and $6 million, respectively. Accumulated amortization at June 30, 1994 and 1993, was $35 million and $30.9 million, respectively. Research and development expense charged to operations was $12.9 million, $17.6 million and $13.2 million in 1994, 1993 and 1992, respectively. The company performs a net realizability evaluation of its software products. The company recognized a $1.9 million write-off of software in 1994 as a result of the evaluation, in addition to $25.3 million and $5 million written off in the restructurings of fiscal 1994 and 1993, respectively. No write-offs were recognized in 1993 or 1992 due to impairment of net realizable value.

Segregated Funds

ACME METALS INCORPORATED (DEC)

(In thousands)	1994	1993
Total current assets	$ 273,842	$ 170,394
Investments and Other Assets:		
Investments in associated companies	14,358	14,701
Restricted cash and investments	201,397	
Other assets	23,221	13,389
Deferred income taxes	20,683	19,846
Total investments and other assets	259,659	47,936
Property, Plant and Equipment:		
Property, plant and equipment, at cost	363,699	405,670
Construction in progress	46,605	2,886
Accumulated depreciation	(261,475)	(293,017)
Total property, plant and equipment	148,829	115,539
	$ 682,330	$ 333,869

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Restricted Cash and Investments

Restricted cash and investments consists of cash and investments held in trust and committed for the construction of the continuous thin slab caster/hot strip mill complex and payment of the related debt service according to the Company's bond indenture. These investments are stated at cost as it is the intent of the Company to hold these securities until maturity. The funds are invested in compliance with the Company's bond indenture which restricts the type, quality and maturity of investments.

Fair Value of Financial Instruments:

Cash and Cash Equivalents, Short-term Investments and Restricted Cash and Investments

The carrying value of cash and cash equivalents, short-term investments and restricted cash and investments, approximates the current value.

Long-term Debt

The fair value of the Company's Senior Secured Notes and Senior Secured Discount Notes is determined by using the quoted market price at the end of the reporting period.

The fair value of the Term Loan and Note Payable is estimated by calculating the present value of the remaining interest and principal payments on the debt to maturity. The present value of the Term Loan uses a discount rate equal to the three month LIBOR rate plus 400 basis points at the end of the reporting period. The Note Payable present value computation uses a discount rate equal to the prime rate at the end of the reporting period plus or minus the spread between the prime rate and the rate negotiated on the debt at the inception of the loan.

The following table presents information on the Company's financial instruments:

(in thousands)	1994 Carrying Amount	1994 Fair Value	1993 Carrying Amount	1993 Fair Value
Cash and Cash Equivalents	$ 76,639	$ 76,639	$ 50,444	$ 50,444
Short-term Investments	76,384	76,107		
Restricted Cash and investments	201,397	201,204		
Long-term debt				
Senior Secured Notes	125,000	121,250		
Senior Secured discount Notes	84,055	80,211		
Term Loan	50,000	51,448		
Senior Notes			50,000	56,130
Note Payable	6,000	5,378	60,000	7,021
	$619,475	$612,237	$106,444	$113,595

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

(Dollars in thousands)	1994	1993
Total current assets	$161,262	$153,641
Restricted cash	26,325	—
Property, plant and equipment:		
Land	5,544	3,004
Buildings and improvements	74,897	72,757
Machinery and equipment	381,511	378,382
Construction in progress	52,692	10,874
	514,644	465,017
Less, Accumulated depreciation	202,821	180,593
	311,823	284,424
Excess of cost over net assets of acquired companies, less accumulated amortization of $4,245 in 1994 and $3,504 in 1993	22,543	23,284
Prepaid pension costs	16,600	14,732
Other assets	13,419	12,977
	$551,972	$489,058

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Restricted Cash: Unused proceeds of debt incurred for the purpose of financing a portion of the costs of acquistion, construction and installation of certain sewage and solid waste disposal facilities at the Company's Hammond, Indiana plant are presented as a long-term asset in the accompanying financial statements.

These funds have been invested in highly liquid interest bearing deposits, U.S. Treasury bills and commercial paper of industrial and other companies with high credit ratings, having maturities of three months or less, and are carried at cost which approximates market.

HARMON INDUSTRIES, INC. (DEC)

(Dollars in thousands)	1994	1993
Total current assets	$42,730	$37,858
Property, plant and equipment, at cost		
Land	164	164
Buildings	4,596	4,174
Machinery and equipment	11,680	10,792
Office furniture and equipment	11,711	9,424
Transportation equipment	928	872
Leasehold improvements	1,600	1,393
	30,679	26,819
Less accumulated depreciation and amortization	19,610	17,796
Net property, plant and equipment	11,069	9,023
Deferred tax asset	500	469
Cost in excess of fair value of net assets acquired, net of accumulated amortization of $1,349,000 in 1994 and $1,271,000 in 1993	7,967	78
Deferred compensation asset (note 7)	5,146	4,622
Other assets	983	950
	$68,395	$53,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part) Commitments

Employee Benefits

The Company has a nonqualified, unfunded deferred compensation plan for certain key executives providing for payments upon retirement, death or disability. Under the plan, certain employees receive retirement payments equal to a portion of the three highest continuous years' average compensation. These payments are to be made for the remainder of the employees' life with a minimum payment of ten years' benefits to either the employee or his or her beneficiary. The plan also provides for reduced benefits upon early retirement, disability or termination of employment. The deferred compensation expense was $522,000, $426,000 and $493,000 for the years ended December 31, 1994, 1993 and 1992, respectively.

The Company has recorded the assets and liabilities for the deferred compensation at gross amounts in the Consolidated Balance Sheets because such assets and liabilities belong to the Company rather than to any plan or trust. The assets are recorded at cost, and the liability is computed and recorded in accordance with SFAS 87, "Employers' Accounting For Pensions."

Nonhomogeneous Operations

J.C. PENNEY COMPANY, INC. (JAN)

(In millions)	1995	1994
Current assets		
Cash and short term investments of $207 and $156	$ 261	$ 173
Receivables, net	5,159	4,679
Merchandise inventories	3,876	3,545
Prepaid expenses	172	168
Total current assets	9,468	8,565
Properties, net	3,954	3,818
Investments, primarily insurance operations	1,359	1,182
Deferred insurance policy acquisition costs	482	426
Other assets	939	797
	16,202	14,788

SUMMARY OF ACCOUNTING POLICIES

Deferred Charges. Expenses associated with the opening of new stores are written off in the year of the store opening, except those of stores opened in January, which are written off in the following fiscal year. Deferred policy acquisition costs, principally marketing costs and commissions incurred by JCPenney Insurance to secure new insurance policies, are amortized over the expected premium-paying period of the related policies.

Investments. Effective January 30, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* This statement requires that securities be classified as trading, held-to-maturity, or available-for-sale. The Company's investments, which consist of fixed income securities (principally bonds) held by JCPenney Insurance, marketable equity securities, and JCP Receivable, Inc. asset-backed certificates held by the Company, are classified as available-for-sale and are carried at fair value. Changes in unrealized gains and losses are recorded directly to stockholders' equity, net of applicable income taxes. Adoption of this statement had no material effect on the Company's investments, deferred taxes, and stockholders' equity, as reflected on the consolidated balance sheet at January 28, 1995, and had no impact on net income. In 1993 and 1992, fixed income securities and asset-backed certificates were carried at amortized cost on the consolidated balance sheets.

XEROX CORPORATION (DEC)

(in millions)	1994	1993
Assets		
Document Processing		
Cash	$ 35	$ 68
Accounts receivable, net	1,811	1,613
Finance receivables, net	3,910	3,358
Inventories	2,294	2,162
Deferred taxes and other current assets	1,199	1,167
Total current assets	9,249	8,368
Finance receivables due after one year, net	6,038	5,594
Land, buildings and equipment, net	2,108	2,219
Investments in affiliates, at equity	1,278	1,094
Other assets	701	883
Total document processing assets	19,374	18,158
Insurance		
Cash	21	18
Investments available-for-sale	8,384	8,344
Reinsurance recoverable	3,116	3,835
Premiums and other receivables	1,276	1,443
Goodwill	284	291
Deferred taxes and other assets	1,438	1,487
Total insurance assets	14,519	15,418
Investment in discontinued operations	4,692	5,174
Total Assets	$38,585	$38,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Significant Accounting Policies of Insurance:

Revenue Recognition. Insurance premiums are generally earned pro rata over the period the coverage is provided.

Deferred Policy Acquisition *Costs.* Property and casualty insurance policy acquisition costs are deferred and recognized over the periods the related premiums are earned. Anticipated investment income is considered in the determination of the recovery of deferred policy acquisiton costs.

Reinsurance. Reinsurance recoverable includes the balance due from reinsurance companies for paid losses and loss expenses and the estimates of the amount of unpaid losses and loss expenses that will be recovered from reinsurers determined in a manner consistent with the liabilities associated with the reinsured policies. The provision for uncollectible reinsurance is determined based upon the review of the financial condition of the reinsurers and assessment of other available information, as is further discussed in Note 13, on Page 69.

Insurance Losses and Loss Expenses. Property and casualty insurance losses and loss expenses are charged to expense as incurred. The reserve for unpaid losses and loss expenses is determined on the basis of claim adjusters' evaluations and other estimates, including those for incurred but not reported (IBNR) losses and for salvage and subrogation recoveries. Overall reserve levels are impacted primarily by the types and amounts of insurance coverage currently being written, trends developing from newly reported claims and claims which have been paid and closed. Talegen's insurance operating groups continually monitor gross and net losses and loss expense reserves of their insurance companies for business written in both the current and prior years, and Talegen senior management reviews these reserves on a periodic basis. Adjustments are made to reserves in the period in which they can be reasonably estimated to reflect evolving changes in loss development patterns and various other factors, such as social and economic trends and judicial interpretation of legal liability. These reserves are not recorded on a discounted basis.

Investments. The fixed maturity investments of Insurance operations are considered to be investments available-for-sale because substantial portions of these portfolios may be sold prior to maturity. Fixed maturity investments and equity securities are valued at market. Unrealized gains and losses from the revaluation of these securities are credited or charged to shareholders' equity.

Realized gains and losses on the sale of investments are determined on a specific identification basis. A provision in the consolidated statement of income is made only when the decline in the fair value of debt and equity securities is other than temporary. Investment income is recorded when earned.

Life Insurance

EATON CORPORATION (DEC)

(Millions)	1994	1993
Excess of cost over net assets of businesses acquired	$ 850	$265
Deferred income taxes	158	112
Other assets	359	237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Life Insurance

In 1993, the Company purchased company-owned life insurance policies insuring the lives of a portion of active United States employees. The policies accumulate asset values to meet future liabilities including the payment of employee benefits such as health care. At December 31, 1994 and 1993, the investments in the policies included in other assets (in millions) was $10 and $7, net of policy loans of $226 and $110, respectively. Net life insurance expense (in millions) of $5 and $2, including interest expense of $15 and $4 in 1994 and 1993, respectively, was included in selling and administrative expense.

THE GOLDFIELD CORPORATION (DEC)

	1994	1993
Net properties	$3,983,649	$4,033,448
Notes receivable, less current portion	690,000	881,485
Deferred charges and other assets		
Deferred income taxes	922,000	947,000
Excess of cost over equity in net assets of business acquired, less accumulated amortization of $1,691,610 in 1994 and $1,567,279 in 1993	—	124,331
Repurchased royalties at cost, less accumulated amortization of $132,562 in 1994 and $106,484 in 1993	186,888	212,966
Cash surrender value of life insurance (Note 7)	399,511	305,067
Total deferred charges and other assets	1,508,399	1,589,364

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 — Cash Surrender Value of Life Insurance

Beginning in 1989, the Company entered into employee benefit agreements with certain employees of the Company. Under the terms of the agreements, the Company buys life insurance policies that build cash surrender value while also providing life insurance benefits for the employee. The Company is entitled to a refund of all previously paid premiums or the cash surrender value of the policy, whichever is lower, if the agreement is terminated prior to the employee attaining the age of 65. After an employee reaches age 65, the Company is entitled to a refund of all previously paid premiums in ten annual installments. In the event of death, the Company will immediately be entitled to a refund of all previously paid premiums. The Company may terminate the agreements at any time by giving written notice to the employee. At December 31, 1994 and 1993, none of the herein described policies had any cash surrender value in excess of the previously paid premiums.

Prepaid Allowances

MCCORMICK & COMPANY, INCORPORATED (NOV)

(in thousands)	1994	1993
Property, plant and equipment — net	$504,599	$465,610
Excess cost of acquisitions — net	196,166	130,638
Prepaid allowances	143,181	126,399
Other assets	4,686	4,706
Goodwill, trademarks, formulae, etc.	1	1
Human relations	1	1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies:

Prepaid Allowances

Prepaid allowances arise when the Company prepays sales discounts and marketing allowances to certain customers in connection with multi-year sales contracts. These costs are capitalized and amortized over the lives of the contracts, generally ranging from three to five years. The amounts reported in the Consolidated Balance Sheet are stated at the lower of unamortized cost or management's estimate of the net realizable value of these costs.

Prepublication Costs

MCGRAW-HILL, INC. (DEC)

(in thousands)	1994	1993
Total current assets	$1,124,087	$1,131,782
Prepublication costs (net of accumulated amortization: 1994—$346,172; 1993—$282,052) (Note 1)	270,506	285,445

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Prepublication costs. Prepublication costs, principally outside preparation costs, are amortized from the year of publication over their estimated useful lives, primarily 3 to 5 years, using either the sum-of-the-years-digits or the straight-line method.

Turnarounds

TOSCO CORPORATION (DEC)

(Thousands of dollars)	1994	1993
Total current assets	$ 859,449	$ 678,681
Property, plant and equipment, net	822,057	715,788
Deferred turnarounds	74,849	24,807
Deferred income taxes	6,998	37,108
Other deferred charges and assets	33,853	36,475
Total assets	1,797,206	1,492,859

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Charges and Turnarounds. Financing charges related to the acquisition or refinancing of debt are deferred and amortized over the term of the related debt using the effective interest method.

Refinery processing units are periodically shut down for major maintenance (turnarounds). To provide for a better matching of costs with revenues, Tosco changed its accounting for turnaround costs, effective January 1, 1992, to one that results in the deferral and subsequent amortization of turnaround costs incurred on all significant processing units. The cumulative effect of this accounting change was a benefit of $3,203,000 (net of income taxes of $2,138,000) or $.11 per share for 1992. The cost of turnarounds is deferred and amortized on a straight-line basis over the expected period of benefit (the period to the next scheduled shutdown of the unit, which generally ranges from 24 to 48 months).

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *Accounting Research Bulletin 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.

BAUSCH & LOMB INCORPORATED (DEC)

Dollar Amounts In Thousands	1994	1993
Current Liabilities		
Notes payable	$252,783	$222,642
Current portion of long-term debt	47,788	21,935
Accounts payable	71,718	85,306
Accrued compensation	71,742	66,077
Accrued liabilities	216,956	249,947
Federal and foreign income taxes	15,551	68,882
	676,538	714,789

SHORT-TERM DEBT

Table 2-20 lists the captions used by the survey companies to describe short-term notes payable, loans payable, and commercial paper. Such short-term obligations are financial instruments as defined in *Statement of Financial Accounting Standards No. 105.*

Statement of Financial Accounting Standards No. 107 requires that the fair value of short-term notes payable, loans payable, and commercial paper be disclosed if it is practicable to estimate fair value. *SFAS No. 107* is currently effective for entities having total assets of $150 million or more, and will be effective for entities having total assets of less than $150 million for fiscal years ending after December 15, 1995.

226 survey companies made 251 disclosures as to fair value. 196 disclosures stated that fair value approximated carrying amount; 33 disclosures stated that fair value was determined by quoted market prices; 15 disclosures stated that fair value was determined by the currently available borrowing rate; and 7 disclosures stated that fair value was determined by the discounted value of future cash flows.

Examples of short-term debt presentations follow.

TABLE 2-20: SHORT-TERM DEBT

	1994	1993	1992	1991
Description				
Notes or loans				
Payee indicated	69	69	83	88
Payee not indicated	150	147	142	153
Short-term debt or borrowings	119	104	97	103
Commercial paper	57	64	62	60
Other	32	26	35	35
Total Presentations	**427**	**410**	**419**	**439**
Number of Companies				
Showing short-term debt	378	368	376	382
Not showing short-term debt	222	232	224	218
Total Companies	**600**	**600**	**600**	**600**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Debt and Compensating Bank Balances

Short-term debt at December 31, 1994 and December 25, 1993 consisted of $234,739,000 and $201,500,000 in U.S. commercial paper and $18,044,000 and $21,142,000 in non-U.S. borrowings, respectively. To support its liquidity requirements, the Company maintains U.S. revolving credit agreements with 364-day credit terms totaling $290,000,000. The interest rate under the agreements is at the prime rate, or, at the Company's option, at a mutually acceptable market rate. No debt was outstanding under these agreements at December 31, 1994.

Short-term bank debt and commercial paper are borrowed at below prime rates in the U.S. and at approximately the equivalent of prime rates in other countries and are unsecured. All compensating balance arrangements are informal and do not restrict the withdrawal of funds. Under these arrangements, the Company maintained average compensating bank balances of $2,400,000 in 1994. In addition, the Company maintains bank lines of credit for its financing requirements. At December 31, 1994 unused U.S. bank lines of credit amounted to approximately $34,000,000.

In February 1994, the Company entered into two interest rate swap agreements, each in notional amounts of $100,000,000 which will convert $200,000,000 of commercial paper and other floating rate debt into fixed rate obligations with an effective interest rate of 6.48%. These swaps will commence on January 1, 1995 for a seven-year period ending on January 1, 2002.

In April 1993, the Company entered into a $72,000,000 notional amount interest rate swap-option agreement to convert an equivalent dollar amount of commercial paper into fixed rate obligations at an interest rate of 4.07%. This agreement was canceled in October 1994 at the option of the counterparty.

Information relating to the Company's short-term debt, which includes the effect of the interest rate swap-option agreement on average interest rates, is summarized in the following table:

Dollar Amounts In Millions	1994	1993
Average short-term interest rates at year end:		
U.S.	5.9%	3.5%
Non-U.S.*	6.1%	5.3%
Aggregate*	6.0%	3.7%
Average short-term interest rates for the year*	4.6%	3.7%
Highest month-end balance	$333.5	$592.3
Average month-end balance	$294.3	$258.7

* Excludes the effect of short-term borrowings in the highly inflationary economy of Brazil.

Excluding the effect of the interest rate swap-option agreement, the average short-term interest rates for 1994 and 1993 would have been 4.7% and 3.6%, respectively.

Fair Value of Financial Instruments (In Part)

Financial instruments consisted of the following:

	12-31-94	
Dollar Amounts In Thousands	Carrying Amount	Fair Value
Nonderivatives:		
Cash and cash equivalents	$ 230,369	$ 230,369
Short-term investments	2,173	2,173
Other investments	425,000	425,000
Notes payable	(252,783)	(252,783)
Long-term debt, including current portion	$(337,292)	$(320,884)
Derivatives:		
Foreign exchange instruments:		
Other current assets	$ 18,176	
Accrued liabilities	(8,622)	
Net foreign exchange instruments	$ 9,554	$ 18,605
Interest rate instruments:		
Other current assets	$ 3,733	
Accrued liabilities	(3,434)	
Net interest rate instruments	$ 299	$ 3,612

The carrying amount of cash, cash equivalents and short-term investments approximates fair value because their maturity is generally less than one year in duration. Fair value of other investments was determined based on discounted cash flows and investment risk. The carrying amount of notes payable approximates fair value because their maturity is generally less than three months in duration. Fair value for long-term debt was estimated using either quoted market prices for the same or similar issues or the current rates offered to the Company for debt with similar maturities. The fair value of foreign exchange and interest rate instruments was determined based upon a model which estimates the fair value of these items using market rates at year-end or was based upon quoted market prices for similar instruments with similar maturities.

COLLINS INDUSTRIES, INC. (OCT)

	1994	1993
Current liabilities:		
Current maturities of long-term debt and capitalized leases	$ 2,006,694	$ 1,480,033
Notes payable (Note 2)	625,000	2,500,000
Chassis floor plan notes payable	3,676,111	5,361,195
Accounts payable	13,878,109	11,562,751
Accrued expenses	3,582,729	4,472,059
Total current liabilities	23,768,643	25,376,038

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Notes Payable

At October 31, 1993 the Company had a $7.0 million unsecured revolving credit agreement with a bank, of which $2.5 million was reserved to support commercial and standby letters of credit. When entered into on January 27, 1993, the loan was renewable annually and carried an effective interest rate equal to the bank's corporate base rate. At October 31, 1994 and 1993 direct borrowings under this agreement were $625,000 and $2,500,000, respectively. At October 31, 1994 and 1993, outstanding letters of credit under this agreement were $1,131,000 and $2,281,000, respectively. In March, 1993 the previously issued October 31, 1992 financial statements were restated and reissued, resulting in default of certain provisions of the agreement. In June, 1993, the bank waived the events of default, modified the agreement and loan terms and increased the interest rate to the bank's corporate base rate plus one-half of one percent (6.5% at October 31, 1993). As a result of an adjustment discovered and recorded in the third fiscal quarter ended July 31, 1993, the Company was in default of certain provisions of the modified agreement. On February 8, 1994 the loan agreement was amended and restated to a term loan payable in twelve (12) equal monthly principal payments until December 30, 1994, and carrying an interest rate of the bank's corporate base rate plus two percent (9.75% at October 31, 1994). The February, 1994 agreement waived all previous defaults. The loan is collateralized jointly with the Senior Notes (Note 3) by accounts receivable, certain inventories, equipment and general intangibles and is guaranteed by the Company's subsidiaries. The agreement contains restrictive covenants substantially similar to the Senior Notes (Note 3).

Maximum and average borrowings and weighted average interest rates on short-term borrowings during each of the two years ended October 31, follows:

	1994	1993
Maximum borrowings oustanding at month-end	$2,500,000	$17,812,683
Average borrowings outstanding	$1,718,751	$6,554,391
Weighted average interest rate	8.10%	6.66%

ECHLIN INC. (AUG)

(In thousands)	1994	1993
Current liabilities:		
Notes payable to banks	$ 8,712	$ 3,034
Current portion of long-term debt	2,285	3,658
Accounts payable, trade	168,175	135,569
Accrued taxes on income	43,439	64,053
Accrued compensation	72,669	51,565
Other accrued liabilities	130,015	98,977
Total current liabilities	425,295	356,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Borrowing Arrangements

Notes payable to banks of $8,712,000 and $3,034,000 at August 31, 1994 and 1993, respectively, were comprised of local borrowings by Echlin's foreign subsidiaries, due within ninety days. Interest rates were between 4.20% and 15.00% at August 31, 1994, and between 5.89% and 16.00% at August 31, 1993.

HILLENBRAND INDUSTRIES, INC. (NOV)

(Dollars in thousands)	1994	1993
Current Liabilities:		
Short-term debt (Note 3)	$ 25,206	$ 12,708
Current portion of long-term debt	1,805	77,318
Trade accounts payable	52,427	47,768
Income taxes		
Payable	7,872	25,664
Deferred	(20,336)	(20,641)
Accrued compensation	60,874	61,814
Other liabilities	111,005	85,397
Total current liabilities	238,853	290,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

3 (In Part): Financing Agreements

Short-term debt consists of a non-interest bearing promissory note in the amount of $1,750 payable in 1995 and use of various lines of credit maintained for foreign subsidiaries totaling $23,456.

5. Disclosure about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments (other than Insurance investments which are described in None 9) for which it is practicable to estimate that value:

The carrying amounts of cash and cash equivalents, trade accounts receivable, other current assets, trade accounts payable, and accrued expenses approximate fair value because of the short maturity of those instruments.

The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair values of the Company's debt instruments are as follows:

	December 3, 1994	
	Carrying Amount	Fair Value
Short-term debt	$ 25,206	$ 25,206
Long-term debt	$210,534	$192,174

MAYTAG CORPORATION (DEC)

(In thousands)	1994	1993
Current liabilities		
Notes payable	$ 45,148	$157,571
Accounts payable	212,441	195,981
Compensation to employees	61,311	84,405
Accrued liabilities	146,086	178,015
Income taxes payable	26,037	16,193
Current maturities of long-term debt	43,411	18,505
Total current liabilities	534,434	650,670

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Short and Long-Term Debt: The carrying amounts of the Company's borrowings under its short-term revolving credit agreements approximate their fair value. The fair values of the Company's long-term debt are estimated based on quoted market prices of comparable instruments.

Notes Payable

Notes payable consisted of notes payable to banks, in addition to $16 and $112 million in commercial paper borrowings at December 31, 1994 and 1993. The Company's commercial paper program is supported by a credit agreement totaling $300 million, which became effective on July 14, 1994 and expires on July 13, 1998. Subject to certain exceptions, the credit agreement requires the Company to maintain certain quarterly levels of maximum leverage and minimum interest coverage. At December 31, 1994, the Company was in compliance with all covenants. Additional funds available at December 31, 1994 under all credit agreements, applying the terms of the most restrictive covenant, totaled $313 million. The weighted average interest rate on all notes payable and commercial paper borrowings was 6.5 percent and 4.0 percent at December 31, 1994 and 1993.

RAYTHEON COMPANY (DEC)

(In thousands)	1994	1993
Current liabilities		
Notes payable and current portion of long-term debt	$1,033,081	$ 873,169
Advance payments, less contracts in process: 1994—$572,788,000; 1993—$420,490,000;	466,448	376,097
Accounts payable	894,911	815,194
Accrued salaries and wages	236,945	234,289
Federal and foreign income taxes, including deferred	—	3,982
Other accrued expenses	651,680	497,559
Total current liabilities	3,283,065	2,800,290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G: Notes Payable

Notes payable consisted of the following at December 31:

(In thousands)	1994	1993
Notes payable	$ 83,247	$ 27,187
Commercial paper	947,757	844,990
Weighted average interest rate on:		
Average note payable borrowings	5.55%	6.77%
Average commercial paper	4.20%	3.09%
Notes payable borrowings at December 31	6.32%	6.01%
Commercial paper at December 31	5.92%	3.35%
Aggregate borrowings outstanding		
Maximum month-end balance	$1,223,800	$1,084,252
Average during the year	$1,012,992	$ 877,765

Credit lines or commitments with banks were maintained by subsidiary companies amounting to $186.1 million in 1994 and $102.1 million in 1993. Compensating balance arrangements are not material. In addition, lines of credit with certain commercial banks exist as a standby facility to support the issuance of commercial paper by the company. These lines of credit were $1.24 billion at Dec. 31, 1994 and $1.11 billion at Dec. 31, 1993. Through Dec. 31, 1994, there have been no borrowings under these lines of credit. Total interest payments were $48 million, $36 million, and $50 million for 1994, 1993, and 1992, respectively.

Note Q: Financial Instruments

For certain financial instruments, including cash, cash equivalents, and short-term debt, it was assumed that the carrying value approximated the fair value for the majority of these financial instruments, due to their short maturity.

The carrying value of notes receivable at December 31, 1994 and 1993 was estimated to approximate their market values based generally on the underlying interest rates and terms, maturities, collateral, and credit status of the receivables.

Marketable securities and investments carrying value are based on quoted market prices or the present value of future cash flows and earnings which approximate fair value.

Long-term debt approximates market value, since U.S. Treasury notes with 5 to 7 year maturities are currently yielding 7 to 8 percent which is comparable to long-term debt.

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.*

Fair value information disclosed by the survey companies consisted of 85 companies stating that the carrying amount of trade payables approximated fair value. Such a disclosure is not required by *Statement of Financial Accounting Standards No. 107.*

TABLE 2-21: TRADE ACCOUNTS PAYABLE

	1994	**1993**	**1992**	**1991**
Accounts payable	438	421	418	411
Trade accounts payable	126	118	122	135
Accounts payable combined with accrued liabilities or accrued expenses	22	45	44	37
Other captions	14	16	16	17
Total Companies	**600**	**600**	**600**	**600**

DIBRELL BROTHERS, INCORPORATED (JUN)

	1994	1993
Current liabilities		
Notes payable to banks	$142,369,166	$147,485,982
Accounts payable:		
Trade	52,206,240	52,957,642
Officers and employees	18,072,950	21,209,338
Other	6,757,329	3,112,426
Advances from customers	23,998,753	9,537,725
Accrued expenses	23,681,668	28,006,228
Income taxes	5,788,346	13,344,850
Long-term debt current	4,261,601	3,843,822
Total current liabilities	277,136,053	279,498,013

L.B. FOSTER COMPANY (DEC)

(In thousands)	1994	1993
CURRENT LIABILITIES:		
Short-term borrowings	$ 13,920	$ 3,500
Current maturities of long-term debt	798	1,261
Accounts payable—trade	19,775	17,249
Accrued payroll and employee benefits	2,524	2,170
Other accrued liabilities	3,279	3,517
Total Current Liabilities	40,296	27,697

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued Liabilities

Accounts payable and accrued liabilities include the following:

Amounts in millions	1994	1993
Trade payables	$ 87.1	$ 65.0
Accrued payrolls and related taxes	30.3	34.8
Accrued warranty	12.1	15.5
Accrued pension	4.6	12.5
Other	23.0	22.3
	$157.1	$150.1

Other non-current liabilities include the following:

Amounts in millions	1994	1993
Accrued pension	$16.5	$ 2.4
Accrued product liability	17.1	14.8
Environmental	13.7	13.5
Income taxes payable	15.2	15.4
Discontinued operations accruals	8.5	9.6
Other	23.0	24.0
	$94.0	$79.7

Pension Costs (In Part)

The following tables reconcile the funded status of the Company's U.S. pension plans and the amounts recognized on the Company's Balance Sheet:

Amounts in millions December 31, 1994	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Accumulated benefit obligation, including non-vested benefits of $11.3 million	$ 81.5	$229.9
Projected benefit obligation	$ 96.8	$232.4
Unrecognized past service cost	.7	(5.7)
Unrecognized net loss from past experience different from that assumed	(16.5)	(34.6)
Unrecognized transition asset	1.1	.3
Plan assets at fair value	(121.2)	(178.9)
Adjustment required to recognize minimum liability	—	37.8
Accrued (prepaid) pension cost	$(39.1)	$ 51.3

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.

TABLE 2-22: EMPLOYEE RELATED LIABILITIES

	1994	**1993**	**1992**	**1991**
Description				
Salaries, wages, payrolls, commissions	290	292	297	292
Compensation	190	188	178	175
Pension or profit-sharing contributions	83	83	86	77
Benefits	72	72	45	29
Compensated absences	21	17	18	16
Other	31	33	39	33
Total Presentations	**687**	**685**	**663**	**622**
Number of Companies				
Disclosing employee related liabilities	510	506	499	495
Not disclosing	90	94	101	105
Total Companies	**600**	**600**	**600**	**600**

CLARK EQUIPMENT COMPANY (DEC)

Amounts in thousands	1994	1993
Current Liabilities:		
Notes payable	$ 11,944	$ 22,512
Accounts payable and accrued liabilities	157,128	150,142
Income taxes payable	1,547	4,139
Accrued postretirement benefits	21,132	19,560
Deferred income taxes	715	800
Current installments on long-term debt	12,140	9,612
Total Current Liabilities	204,606	206,765
Long-term borrowings	193,294	204,770
Other non-current liabilities	93,994	79,686
Accrued postretirement benefits	241,837	233,239
Deferred income taxes	8,008	10,661
Total Liabilities	741,739	735,121

Amounts in millions *December 31, 1993*	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Accumulated benefit obligation, including non-vested benefits of $13.5 million	$ 90.9	$237.0
Projected benefit obligation	$110.0	$237.0
Unrecognized past service cost	—	(1.2)
Unrecognized net loss from past experience different from that assumed	(34.6)	(30.0)
Unrecognized transition asset	1.4	.4
Plan assets at fair value	(111.5)	(194.8)
Adjustment required to recognize minimum liability	—	30.8
Accrued (prepaid) pension cost	$ (34.7)	$ 42.2

The discount rates used to determine the projected benefit obligation were 8.25% in 1994 and 7.25% in 1993. The rate of increase in future compensation for determining the projected benefit obligation was 5.4%. The expected rate of return on plan assets ranged from 8.25% to 8.5% in 1994 and from 8.75% to 8.85% in 1993.

Balance sheet liabilities for worldwide pensions totaled $21.1 million and $14.9 million at December 31, 1994 and 1993, respectively. Of these figures, U.S. plans accounted for $12.2 million and $7.5 million in 1994 and 1993, respectively, while foreign plans accounted for $8.9 million and $7.4 million in 1994 and 1993, respectively.

Postretirement Health Care and Life Insurance Benefits (In Part)

The company provides certain health care and life insurance benefits for retired employees, including certain retirees of previously owned businesses, including CAPCO. Substantially all of the Company's U.S. employees may become eligible for these benefits upon retirement. The coverage is provided on a non-contributory basis for most retirees who retired prior to August 1986, and on a contributory basis for post-August 1986 retirees and all active employees.

The Company does not fund its postretirement benefit plans. The following table presents a reconciliation of the Accumulated Postretirement Benefit Obligation (APBO) to the liability for such costs recognized on the Company's Balance Sheet as of December 31, 1994 and 1993:

Amounts in millions	1994	1993
Accumulated Postretirement Benefit Obligation (APBO):		
Retirees	$229.8	$251.5
Fully eligible active participants	15.4	12.8
Other active participants	23.5	20.3
Total APBO	268.7	284.6
Unrecognized past service cost	10.3	11.6
Unrecognized loss from changes in assumptions	(16.0)	(43.4)
Accrued postretirement benefit cost	$263.0	$252.8

COURIER CORPORATION (SEP)

	1994	1993
Current liabilities:		
Current maturities of long-term debt	$ 2,080,000	$ 2,065,000
Accounts payable	7,898,000	8,083,000
Accrued payroll	2,816,000	2,530,000
Income taxes payable	1,918,000	1,289,000
Other current liabilities	5,083,000	5,532,000
Total current liabilities	19,795,000	19,499,000

FMC CORPORATION (DEC)

(In millions)	1994	1993
Current liabilities		
Short-term debt	$ 66.9	$ 66.9
Accounts payable, trade and other	676.9	501.2
Accrued payroll	98.5	84.7
Other current liabilities	307.4	306.2
Current portion of long-term debt	41.3	15.0
Current portion of accrued pension and other postretirement benefits (Notes 13 and 14)	22.8	37.1
Income taxes payable	55.1	86.4
Total current liabilities	1,268.9	1,097.5
Long-term debt, less current portion	901.2	749.9
Accrued pension and other postretirement benefits, less current portion (Notes 13 and 14)	306.5	302.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Retirement Plans

The funded status of the plans and accrued pension cost recognized in the company's consolidated financial statements as of December 31 are as follows:

(In millions)	1994	1993
Actuarial present value of benefits for service rendered to date:		
Accumulated benefit obligation based on salaries to date, including vested benefits of $581.8 in 1994 and $541.1 in 1993	$(611.6)	$(565.2)
Additional benefits based on estimated future salary levels	(145.4)	(117.1)
Projected benefit obligation	(757.0)	(682.3)
Plan assets at fair value[1]	727.4	717.0
Projected benefit obligation (in excess of) or less than plan assets	(29.6)	34.7
Unrecognized net loss	55.7	0.4
Unrecognized prior service cost	25.5	24.6
Unrecognized net transition asset	(149.6)	(167.8)
Accrued pension cost	$ (98.0)	$(108.1)

(1) Primarily equities, bonds and participating annuities.

Note 14 (In Part): Postretirement Health Care and Life Insurance Benefits

The accrued postretirement benefit cost recognized in the company's consolidated financial statements and the funded status of the plan as of December 31 are as follows:

(In millions)	1994	1993
Accumulated postretirement benefit obligation (APBO):		
Retirees	$(110.4)	$ (85.2)
Fully eligible active participants	(24.5)	(30.8)
Other active participants	(53.8)	(61.4)
APBO	(188.7)	(177.4)
Plan assets at fair value[1]	24.5	20.8
APBO obligation in excess of plan assets	(164.2)	(156.6)
Unamortized plan amendments	(62.8)	(70.4)
Unrecognized net (gain) or loss	(4.3)	(4.7)
Accrued postretirement benefit cost	$(231.3)	$(231.7)

(1) Primarily equities and fixed income securities.

As a part of restructuring and downsizing, a voluntary incentive benefit package, which lowered the participants' minimum age eligibility requirement, was offered to salaried employees. As a result, $2.4 million was accrued as part of the 1993 restructuring charge and included in accrued postretirement benefit cost.

In 1993, the company announced plan changes to establish a service-related premium and a fixed-dollar cap on the company's medical plan contributions for its salaried and non-union hourly retiree medical plans. These changes, effective April 1, 1993, reduced the benefit obligation by $62.4 million, amortizable over the remaining years of service to full eligibility.

SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was implemented by the company effective January 1, 1992 using the immediate recognition transition option. SFAS No. 106 requires accrual of the expected cost of providing postretirement benefits, other than pensions, during the years that the employee renders the necessary service. This resulted in a one-time, pretax adjustment of $296.3 million ($183.7 million, net of tax) in 1992, of which $92.5 million ($57.4 million, net of tax) was recorded for retiree benefits provided to former employees of discontinued operations.

HUNT MANUFACTURING CO. (NOV)

(In thousands)	1994	1993
Current liabilities:		
Current portion of long-term debt	$ 1,003	$ 3,158
Accounts payable	9,782	11,060
Accrued expenses:		
Salaries, wages and commissions	5,742	5,402
Income taxes	4,464	4,992
Insurance	2,430	2,526
Compensated absences	1,741	1,526
Other	5,553	5,050
Total current liabilities	30,715	33,714

THE TIMKEN COMPANY (DEC)

(Thousands of dollars)	1994	1993
Current Liabilities		
Commercial paper	$ 57,759	$ 62,907
Short-term debt	40,630	32,129
Accounts payable and other liabilities	216,568	221,265
Accrued pension contributions	29,502	11,377
Accrued postretirement benefits cost	21,932	24,330
Salaries, wages and payroll taxes	68,812	60,680
Income taxes	13,198	19,443
Current portion of long-term debt	30,223	282
Total Current Liabilities	478,624	432,413
Non-Current Liabilities		
Long-term debt	150,907	181,158
Accrued pension cost	109,644	117,396
Accrued postretirement benefits cost	386,668	373,440
	647,219	671,994

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Retirement Plans

The following table sets forth the funded status and amounts recognized in the consolidated balance sheets at December 31, 1994, and 1993, for the company's defined benefit plans (in thousands of dollars):

	1994		1993	
	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$(388,564)	$(334,558)	$(294,531)	$(440,405)
Accumulated benefit obligation	$(427,920)	$(398,158)	$(335,973)	$(506,239)
Projected benefit obligation	$(498,438)	$(442,737)	$(397,910)	$(561,088)
Plan assets at fair value(1)	470,500	308,271	402,724	414,727
Projected benefit obligation (in excess of) or less than plan assets	(27,938)	(134,466)	4,814	(146,361)
Unrecognized net gain	(2,938)	(45,230)	(18,508)	(23,739)
Prior service cost (credit) not yet recognized in net periodic pension cost	15,226	78,973	(9,299)	90,846
Unrecognized net asset at transition dates, net of amortization	(18,307)	(4,466)	(14,268)	(12,258)
Net pension liability recognized in the balance sheet	$(33,957)	$(105,189)	$(37,261)	$(91,512)

(1) The plans' assets are primarily invested in listed stocks and bonds and cash equivalents.

7 (In Part): Postretirement Benefits

The following table sets forth the components of the accumulated postretirement benefits obligation recognized in the balance sheet at December 31, 1994 and 1993 (in thousands of dollars):

	1994	1993
Accumulated postretirement benefits obligation:		
Retirees	$(255,891)	$(276,499)
Fully eligible active plan participants	(55,104)	(75,366)
Other active plan participants	(74,377)	(94,985)
	(385,372)	(446,850)
Unrecognized net (gain) loss	(23,228)	49,080
Postretirement obligation recognized in the balance sheet	$(408,600)	$(397,770)

Increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefits obligation as of December 31, 1994 by approximately $36,000,000 and the net periodic postretirement benefits cost for 1994 by approximately $3,200,000.

UNITED FOODS, INC. (FEB)

	1994	1993
CURRENT LIABILITIES:		
Accounts payable	$ 9,001,000	$ 8,517,000
Accruals:		
Compensation and related taxes	3,013,000	2,417,000
Pension contributions	418,000	308,000
Income taxes	142,000	141,000
Workers' compensation claims (Note 10)	1,669,000	1,572,000
Miscellaneous	526,000	737,000
Deferred income taxes	43,000	639,000
Current maturities of long-term debt	4,352,000	4,980,000
TOTAL CURRENT LIABILITIES	19,164,000	19,311,000

NOTES TO FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

D. Workers' Compensation

The Company is self-insured for workers' compensation claims up to $250,000 each. Provisions for expected future payments are accrued based on the Company's estimate of its aggregate liability for all open claims. The Company has secured its liability for potential workers' compensation claims in the states of California and Oregon by obtaining standby letters of credit in the amount of approximately $1,618,000 and $283,000, respectively.

INCOME TAX LIABILITY

Table 2-23 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

TABLE 2-23: CURRENT INCOME TAX LIABILITY

	1994	1993	1992	1991
Income taxes	337	340	341	347
Taxes—type not specified	38	45	44	44
Federal and state income taxes	18	21	22	19
Federal income taxes	10	7	11	12
Federal, state, and foreign income taxes	9	8	9	9
Federal and foreign income taxes	9	6	5	10
U.S. and foreign income taxes	7	6	7	8
Other captions	16	16	16	13
No current income tax liability	156	151	145	138
Total Companies	**600**	**600**	**600**	**600**

OPTICAL COATING LABORATORY, INC. (OCT)

(Dollars in thousands)	1994	1993
Current Liabilities:		
Accounts payable	$ 6,197	$ 4,243
Accrued expenses	8,423	7,694
Accrued compensation expenses	4,785	5,309
Income taxes payable	1,671	
Current maturities on long-term debt	6,878	6,702
Notes payable	428	490
Deferred revenue	636	664
Total Current Liabilities	29,018	25,102

WAL-MART STORES, INC. (JAN)

(Amounts in millions)	1995	1994
Current Liabilities:		
Commercial paper	$1,795	$1,575
Accounts payable	5,907	4,104
Accrued liabilities	1,819	1,473
Accrued federal and state income taxes	365	183
Long-term debt due within one year	23	20
Obligations under capital leases due within one year	64	51
Total Current Liabilities	9,973	7,406

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.

TABLE 2-24: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Current portion of long-term debt	221	227	218	221
Current maturities of long-term debt	185	192	191	201
Long-term debt due or payable within one year	45	47	53	50
Current installment of long-term debt	27	28	35	33
Current amount of long-term leases	49	47	44	47
Other captions	15	12	4	10

BAKER HUGHES INCORPORATED (SEP)

($000)	1994	1993
Current Liabilities:		
Accounts payable-trade	$253,616	$249,781
Short-term borrowings	863	5,381
Current portion of long-term debt	14,436	3,067
Accrued employee compensation and benefits	113,304	95,303
Income taxes payable	29,729	15,322
Taxes other than income	20,608	22,552
Accrued insurance	26,492	20,554
Accrued interest	10,676	11,529
Other accrued liabilities	74,847	72,348
Total current liabilities	544,571	495,837

FOSTER WHEELER CORPORATION (DEC)

(In Thousands of Dollars)	1994	1993
CURRENT LIABILITIES:		
Current installments on long-term debt	$ 32,565	$ 32,523
Bank loans	77,350	59,725
Accounts payable	211,627	161,484
Accrued expenses	139,582	131,254
Estimated costs to complete long-term contracts	294,881	287,508
Advance payments by customers	104,239	76,462
Income taxes	30,335	30,033
Total current liabilities	890,579	778,989

HORMEL FOODS CORPORATION (OCT)

(In Thousands)	1994	1993
Current Liabilities		
Accounts payable	$112,851	$ 98,357
Accrued expenses	29,320	30,212
Accrued advertising	31,863	24,587
Employee compensation	41,989	40,195
Taxes, other than federal income taxes	17,606	14,011
Dividends payable	9,585	8,434
Federal income taxes	21,303	11,262
Current maturities of long-term debt	400	
Total current liabilities	264,917	227,058

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.

TABLE 2-25: OTHER CURRENT LIABILITIES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Taxes other than Federal income taxes	139	132	138	149
Estimated costs related to discontinued operations	130	142	114	91
Interest	124	121	137	139
Dividends payable	78	82	88	84
Insurance	78	75	79	83
Customer advances, deposits	55	58	49	54
Warranties	54	54	51	48
Deferred revenue	54	47	48	53
Deferred taxes	53	42	33	34
Environmental costs	53	39	27	23
Advertising	39	44	40	33
Billings on uncompleted contracts	31	31	28	25
Due to affiliated companies	22	24	14	19
Other—Described	115	101	100	104

Taxes Other Than Federal Income Taxes

AMERICAN BRANDS, INC. (DEC)

(In millions)	1994	1993
Current liabilities		
Notes payable to banks	$ 77.3	$ 298.9
Commercial paper	103.3	711.3
Accounts payable	471.4	454.1
Accrued excise and other taxes	1,082.1	726.3
Accrued expenses and other liabilities	856.2	794.4
Current portion of long-term debt	525.2	172.7
Total current liabilities	3,115.5	3,157.7

AVON PRODUCTS, INC. (DEC)

In millions	1994	1993
Current liabilities		
Debt maturing within one year	$ 61.2	$ 70.4
Accounts payable	408.0	365.4
Accrued compensation	100.0	62.7
Other accrued liabilities	222.3	203.3
Sales and other taxes	95.7	94.9
Income taxes	253.3	225.3
Total current liabilities	1,141.0	1,022.0

BOWATER INCORPORATED (DEC)

(In thousands)	1994	1993
Current liabilities:		
Current installments of long-term debt	$ 1,604	$ 1,796
Accounts payable and accrued liabilities	184,766	195,546
Income taxes payable	13,966	35,882
Dividends payable	10,276	6,079
Total current liabilities	210,612	239,303

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Accounts Payable and Accrued Liabilities

(In thousands)	1994	1993
Trade accounts payable	$102,894	$102,727
Accrued interest	20,704	20,883
Property and franchise taxes payable	11,877	13,789
Accrued payroll and payroll taxes	26,211	22,743
Other	23,080	35,404
	$184,766	$195,546

Costs/Liabilities Related To Discontinued Operations

ALCO STANDARD CORPORATION (SEP)

(dollars in thousands)	1994	1993
Current Liabilities		
Current portion of long-term debt	$ 12,299	$ 39,915
Notes payable	91,999	164,249
Trade accounts payable	500,166	426,971
Accrued salaries, wages and commissions	96,987	80,097
Deferred revenues	134,485	116,631
Restructuring costs (note 16)	56,971	27,480
Other accrued expenses	164,023	164,831
Total current liabilities	1,056,930	1,020,174
Long-Term Debt	340,771	590,154
Deferred Taxes and Other Liabilities		
Deferred taxes	32,192	
Restructuring costs (note 16)	50,000	142,459
Workers' compensation and other	156,511	113,069
	238,703	255,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Restructuring Costs

On September 29, 1993, the Company adopted a plan to restructure its paper distribution business including the following: installation of a customer-focused information system, redesigning of warehouse and transportation management functions, regionalization of management and administrative support functions and consolidation of service center locations. In connection with certain elements of the restructuring plan, the Company recorded a charge to earnings of $175,000,000 ($112,875,000 net of taxes or $2.38 per share) in the fourth quarter of fiscal 1993. The charge provided for facility consolidation ($60,700,000), severance costs ($48,000,000) and related organizational and system redesign ($22,000,000).

At September 30, 1994, the remaining restructuring accrual is $106,971,000, which management believes is adequate to complete the restructuring plan by the end of fiscal 1996. As of September 30, 1994, 68 facility consolidations had been substantially completed. The estimated cost to complete the facility consolidations is $44,400,000 of which a significant portion relates to costs to dispose and maintain facilities which have been or will be vacated. Severance costs have been incurred during 1994 in accordance with the plan and $23,800,000 is the estimated balance for severance costs. The related organizational and system redesign is estimated to have a remaining cost of $16,200,000. The Company estimates cash expenditures for the restructuring plan will be $53,000,000 in fiscal 1995 and $43,000,000 in fiscal 1996.

AMDAHL CORPORATION (DEC)

(Dollars in thousands)	1994	1993
Current liabilities:		
Notes payable and short-term debt	$ 8,816	$137,056
Accounts payable	69,603	54,331
Accounts payable—stockholder (Fujitsu Limited)	71,214	18,092
Accrued liabilities	511,706	561,281
Total current liabilities	661,339	770,760

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Accrued Liabilities

Accrued liabilities consisted of the following:

(In thousands)	1994	1993
Payroll and vacation	$110,958	$102,363
Restructuring costs (Note 7)	88,228	145,601
Income taxes	38,588	48,707
Deferred income	120,587	108,365
Future engineering changes	38,643	57,133
Other	114,432	99,112
	$511,706	$561,281

Note 7. Restructuring of Operations

In 1993 the Company began to restructure its worldwide operations in order to address the competitive conditions in the markets for large-scale computing systems, including pricing which declined at much greater than normal historical rates and reduced levels of demand. The restructuring consisted of a series of planned actions, including a reduction in the number of employees by approximately one-third, consolidation of offices and facilities and disposition of assets that were no longer required due to changes in product plans, reduction in manufacturing capacity by approximately 50%, and elimination of selected product development programs, as well as other expense reductions. In connection with these actions the Company recorded restructuring charges totaling $478,000,000 to operating expenses, $243,000,000 of which was recorded in the first quarter of 1993 and $235,000,000 of which was recorded in the third quarter of 1993. The majority of these actions were initiated by the end of 1994 and are expected to be completed by 1996.

The 1993 restructuring charges reflected $298 million of noncash write-downs of recorded assets and $180 million of projected cash outflows and were comprised of several major components related to the planned actions. The provision for reduction of the workforce of approximately $120 million included severance and medical and other termination benefits for approximately 2,400 employees in manufacturing, development, service, sales, marketing and administrative functions. At December 30, 1994, approximately two-thirds of the terminations had taken place. Approximately $200 million was provided for lease payments on idle facilities, write-downs of leasehold improvements, production, data processing and other equipment, and other expenses associated with the consolidation of offices and facilities throughout all principal geographic areas. Approximately $60 million was provided for write-downs of excess inventory resulting from reduced manufacturing capacity and changes in product plans, and $10 million was provided for vendor charges due to the cancellation of development programs. The provision for various other charges totaled $88 million and consisted of write-downs of leased systems and system spares as a result of changes in product plans and other costs associated with the restructuring actions.

Of the initial restructuring charges, at December 30, 1994 $88,228,000 remained in accrued liabilities and $27,942,000 remained as a reduction of inventories. The $88 million balance in accrued restructuring costs was comprised of approximately $31 million for the remaining reduction of the workforce, $37 million for closing excess facilities and $20 million for various other charges. Approximately $54 million of this accrual represents estimated future cash outflows related to the remaining reduction of the workforce and facilities exit costs. At December 31, 1993, $145,601,000 remained in accrued liabilities, $32,072,000 remained as a reduction of inventories, and $3,070,000 remained as a reduction of net property and equipment. A summary of the restructuring activity is presented below.

(In thousands)	
1993 provision	$478,000
1993 activity:	
Non-cash write-downs of property, equipment and inventories	(224,936)
Reduction in workforce and other cash outflows	(72,321)
Balance at December 31, 1993	180,743
1994 activity:	
Non-cash write-downs of property, equipment and inventories	(11,113)
Reduction in workforce and other cash outflows	(53,460)
Balance at December 30, 1994	$116,170

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

(In millions)	1994	1993
CURRENT LIABILITIES:		
Accounts payable	$ 850.9	$ 812.5
Accrued salaries, wages and benefits	288.5	243.9
Accrued taxes, other than income taxes	107.8	121.7
Restructuring accrual	52.6	189.2
Other current liabilities	369.2	448.3
Total current liabilities	1,669.0	1,815.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 — Profitability Enhancement Program

In September 1993, the company announced a Profitability Enhancement Program to improve sales and profitability. The Program, which involved significant organizational and operational changes, included the following elements:

- An enhanced retirement program for salaried employees ($142 million)
- The write-down of underperforming facilities included in the entertainment segment and food products segment ($145 million)
- Restructuring and reorganization of the company ($278 million)

As a result of the Program, the company recognized a $565 million restructuring charge in 1993.

The Program included a 10% reduction in the salaried workforce (approximately 1,200 employees). This reduction was achieved through an enhanced retirement program. The enhanced retirement program offered salaried employees age 53 or older certain incentives and the opportunity to retire effective December 31, 1993. Incentives included pension credits for an additional five years of service and five years of age. The total cost of the enhanced retirement program was $142 million and is discussed in more detail in Note 10.

In addition, as part of the Program, the company restructured and reorganized certain operations at a cost of $278 million. The restructuring and reorganization portion of the Program included relocation of the company's Campbell Taggart, Inc. and Eagle Snacks, Inc. corporate offices to St. Louis; the closing of several smaller non-beer manufacturing operations; and the rationalization of brewing operations based on the successful practices employed at its newer breweries.

As of December 31, 1994, $52.6 million of the restructuring accrual still exists. This remaining amount relates to planned reorganization and asset disposals which have been approved by management, but not yet fully completed. None of the remaining accrual relates to the enhanced retirement program for salaried employees.

A reconciliation of activity with respect to the restructuring accrual for 1994 activity is as follows (in millions):

Beginning balance, January 1, 1994	$189.2
Asset write-offs associated with the beer and beer-related segment ($66.0) and food products segment ($5.6)	(71.6)
Cash payments associated with the enhanced retirement program	(18.6)
Cash payments for systems development and training costs associated with the enhanced retirement program	(5.3)
Relocation costs associated with moving the food products headquarters from Dallas to St. Louis	(40.0)
Other miscellaneous items, net	(1.1)
Ending balance, December 31, 1994	$ 52.6

It is anticipated that the restructuring accrual will be substantially utilized in 1995, and no additional costs related to the 1993 Profitability Enhancement Program will need to be expensed.

EG&G, INC. (DEC)

(Dollars in thousands)	1994	1993
Current Liabilities:		
Short-term debt	$ 59,988	$43,589
Accounts payable	66,132	60,787
Accrued restructuring costs (Note 10)	21,532	—
Accrued expenses	134,170	128,800
Total Current Liabilities	281,822	233,176

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Restructuring Charges

During the third quarter of 1994, management completed its review of various operating elements and developed a plan to reposition these businesses to attain the Company's business goals. The plan resulted in pre-tax restructuring charges of $30.4 million. The principal actions in the repositioning plan include reduction of excess manufacturing capacity, changes in distribution channels, consolidation and reengineering of support infrastructure, disposal of under-utilized assets, withdrawal from certain unprofitable product lines, disposal of excess property and general cost reductions. The repositioning plan will result in the termination of the jobs of approximately 1,000 non-DOE employees; the net work force reduction will be approximately 800 non-DOE employees. The reduction through January 1, 1995 was 200 employees.

The major components of the restructuring charges were $21 million of employee separation costs, $4.9 million of noncash charges to dispose of certain product lines and assets through sale or abandonment and $4.5 million of charges to terminate lease and other contractual obligations no longer required as a result of the repositioning plan. The charges do not include additional costs associated with the repositioning plan such as voluntary early retirement programs, training, consulting, purchases of equipment and relocation of employees and equipment. These costs will be charged to operations or capitalized, as appropriate, when incurred. The implementation of this plan commenced during the second half of 1994 with a cash outlay of $4 million for termination costs; $21.5 million of cash outlays will occur mainly in 1995.

Dividends Payable

GENUINE PARTS COMPANY (DEC)

(dollars in thousands)	1994	1993
Current Liabilities		
Trade accounts payable	$316,589	$258,949
Current maturities on long-term debt	933	797
Accrued compensation	37,790	30,883
Accrued expenses	20,368	18,222
Dividends payable	35,246	32,933
Income taxes payable	11,482	10,167
Deferred income taxes	—	1,521
Total Current Liabilities	422,408	353,472

Insurance

BALDOR ELECTRIC COMPANY (DEC)

(in thousands)	1994	1993
CURRENT LIABILITIES:		
Accounts payable	$18,802	$12,690
Employee compensation	5,776	4,740
Profit sharing	5,789	4,284
Anticipated warranty costs	3,700	2,750
Accrued insurance obligations	9,156	6,616
Other accrued expenses	15,697	9,710
Income taxes	2,777	2,121
Current maturities of long-term obligations	925	490
TOTAL CURRENT LIABILITIES	62,622	43,401

Advances/Deposits

HONEYWELL, INC. (DEC)

(Dollars in Millions)	1994	1993
Current Liabilities		
Short-term debt	$ 360.6	$ 187.9
Accounts payable	429.6	381.9
Customer advances	72.6	61.4
Accrued compensation and benefit costs	434.6	433.2
Accrued income taxes	309.6	320.8
Deferred income taxes		10.2
Other accrued liabilities	464.8	460.7
	2,071.8	1,856.1

INSILCO CORPORATION (DEC)

(In thousands)	1994	1993
Current liabilities:		
Current portion of long-term debt	$ 13,381	2,048
Current portion of other long-term obligations	8,678	6,836
Accrued interest payable	3,643	17,657
Accounts payable	40,445	34,078
Customer deposits	21,347	21,053
Salaries and wages payable	10,497	11,135
Accrued income taxes	1,778	309
Accrued expenses	38,506	35,743
Total current liabilities	138,275	128,859

Product Warranties

PENTAIR, INC. (DEC)

In Thousands	1994	1993
Current Liabilities		
Accounts Payable	$115,962	$ 93,820
Compensation and Other Benefits Accruals	58,297	42,737
Income Taxes	7,570	8,787
Accrued Product Claims and Warranties	25,484	22,256
Accrued Expenses and Other Liabilities	72,612	50,075
Current Maturities of Long-term Debt	5,766	803
Total Current Liabilities	285,691	218,478

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Product Warranty Costs. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience.

WINNEBAGO INDUSTRIES, INC. (AUG)

(dollars in thousands)	1994	1993
Current Liabilities		
Current maturities of long-term debt	$ 2,504	$ 1,719
Notes payable	2,300	—
Accounts payable, trade	24,985	19,462
Accrued expenses:		
Insurance	4,175	6,445
Product warranties	3,557	4,091
Vacation liability	3,241	2,864
Promotional	2,111	4,636
Other	9,491	10,399
Total current liabilities	52,364	49,616

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies:

Provision for Warranty Claims. Estimated warranty costs are provided at the time of sale of the warranted products.

Deferred Revenue

ADVANCED MICRO DEVICES, INC. (DEC)

	1994	1993
CURRENT LIABILITIES:	($000)	
Notes payable to banks	$ 32,459	$ 30,994
Accounts payable	149,122	127,151
Accrued compensation and benefits	104,526	81,860
Accrued liabilities	82,570	83,982
Litigation settlement	58,000	—
Income tax payable	53,795	34,991
Deferred income on shipments to distributors	83,800	74,436
Current portion of long-term debt and capital lease obligations	27,895	21,205
Total current liabilities	592,167	454,619

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Deferred income on shipments to distributors. A portion of sales is made to distributors under terms allowing certain rights of return and price protection on unsold merchandise held by the distributors. These agreements can be canceled by either party upon written notice, at which time the company generally repurchases unsold inventory. Accordingly, recognition of sales to distributors and related gross profits are deferred until the merchandise is resold by the distributors.

HARRIS CORPORATION (JUN)

In millions	1994	1993
Current Liabilities		
Short-term debt	$ 19.8	$ 35.2
Trade accounts payable	184.5	169.4
Compensation and benefits	188.5	168.0
Other accrued items	164.9	150.6
Advance payments by customers	59.7	55.5
Unearned leasing and service income	129.3	120.6
Income taxes	57.0	77.4
Current portion of long-term debt	1.0	1.4
Total current liabilities	804.7	778.1

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.

THE STANDARD REGISTER COMPANY (DEC)

(Dollars in thousands)	1994	1993
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 6,471	$ 6,471
Accounts payable	19,071	20,582
Dividends payable	5,149	4,874
Accrued compensation	27,994	27,224
Accrued pension expense	4,139	7,805
Accrued other expense	2,230	1,223
Accrued taxes, except income	5,181	4,574
Income taxes payable	2,278	4,761
Customer deposits	9,807	
Deferred service contract income	7,360	6,640
Total current liabilities	$89,680	$84,154

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition—The Company generally recognizes product and related services revenue at the time of shipment to customers. Under contractual arrangements with some customers, custom forms which are stored for future delivery are recognized as revenue when manufacturing is complete and the order is invoiced. Revenue from equipment service contracts is recognized ratably over the term of the contract.

THE TIMES MIRROR COMPANY (DEC)

(In thousands of dollars)	1994	1993
Current Liabilities		
Accounts payable	$ 362,139	$ 380,005
Short-term debt	645,870	336,356
Accrued liabilities	43,741	94,436
Employees' compensation	108,673	97,226
Deferred income taxes	36,681	
Unearned income	201,162	177,738
Other current liabilities	88,091	57,405
Total current liabilities	1,486,357	1,143,166

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition. Revenues from certain products sold with the right of return, principally books, are recognized net of a provision for estimated returns. Revenues from newspaper and magazine subscriptions and professional service fee annual subscriptions are deferred as unearned income at the time of the sale. A pro rata share of the newspaper and magazine subscription price is included in revenue as products are delivered to subscribers. Professional service fee annual subscription revenues are recognized on a straight-line basis over the life of the subscription service.

Environmental Costs

BRENCO, INCORPORATED (DEC)

Current Liabilities:	1994	1993
Current maturities of long-term debt	$1,354,000	$
Accounts payable	2,665,377	3,413,897
Dividends payable	604,754	500,183
Compensated absences	721,509	615,956
Accrued liabilities	1,705,643	747,142
Income taxes payable	437,677	150,641
Environmental expenditures (Note 8)	41,365	2,883,734
Total Current Liabilities	7,530,325	8,311,553

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Environmental Remediation Project and Compliance

During 1994, the company completed an environmental remediation project at a former foundry site that has been inactive since 1979. The remediation process actually began in 1992 upon approval from the appropriate state regulatory agency. The total cost of the remediation project was approximately $7,000,000, which has been charged to income in various amounts each year since 1989.

The effect of these special charges in 1994 for the remediation expenditures was to reduce net income by $915,000 or $.09 per share. The charges in 1993 decreased net income by $1,414,000 or $.14 per share, and 1992 charges reduced net income by approximately $185,000, or $.02 per share.

The company believes the remediation project to be complete.

TESORO PETROLEUM CORPORATION (DEC)

(Dollars in thousands)	1994	1993
CURRENT LIABILITIES		
Accounts payable	$53,573	43,192
Accrued liabilities	35,266	24,017
Current portion of long-term debt and other obligations	7,404	4,805
Total Current Liabilities	96,243	72,014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Environmental Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that extend the life, increase the capacity, or mitigate or prevent environmental contamination, are capitalized. 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. Such amounts are based on the estimated timing and extent of remedial actions required by applicable governing agencies, experience gained from similar sites on which environmental assessments or remediation has been completed, and the amount of the Company's anticipated liability considering the proportional liability and financial abilities of other responsible parties. Estimated liabilities are not discounted to present value. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

Note G (In Part): Accrued Liabilities

The Company's current accrued liabilities as shown in the Consolidated Balance Sheets included the following (in thousands):

	December 31, 1994	1993
Accrued Environmental Costs	$10,829	6,171
Accrued Interest	4,223	5,185
Accrued Employee and Pension Costs	7,884	4,028
Accrued Product Taxes	3,009	749
Other	9,321	7,884
Accrued Liabilities	$35,266	24,017

Note L (In Part): Commitments and Contingencies

Environmental

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws, which change frequently, 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 or install additional controls or other modifications or changes in use for certain emission sources. The Company is currently involved with a waste disposal site in Louisiana 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 the site, the extent of the Company's allocated financial contribution to the cleanup of this site is expected to be limited based upon the number of companies and the volumes of waste involved and the payment by the Company of a *de minimus* settlement amount of $2,500 at a similar site in Louisiana. The Company is also involved in remedial responses and has incurred cleanup expenditures associated with environmental matters at a number of sites, including certain of its own properties. In addition, the Company is holding discussions with the Department of Justice ("DOJ") concerning the assessment of penalties with respect to certain alleged violations of regulations promulgated under the Clean Air Act as discussed below.

In March 1992, the Company received a Compliance Order and Notice of Violation from the Environmental Protection Agency (the "EPA") alleging violations by the Company of the New Source Performance Standards under the Clean Air Act at its Alaska refinery. These allegations include failure to install, maintain and operate monitoring equipment over a period of approximately six

years, failure to perform accuracy testing on monitoring equipment, and failure to install certain pollution control equipment. From March 1992 to July 1993, the EPA and the Company exchanged information relevant to these allegations. In addition, the EPA conducted an environmental audit of the Company's refinery in May 1992. As a result of this audit, the EPA is also alleging violation of certain regulations related to asbestos materials. In October 1993, the EPA referred these matters to the DOJ. The DOJ contacted the Company to begin negotiating a resolution of these matters. The DOJ has indicated that it is willing to enter into a judicial consent decree with the Company and that this decree would include a penalty assessment. Negotiations on the penalty are in progress. The DOJ has proposed a penalty assessment of approximately $3.7 million. The Company is continuing to negotiate with the DOJ but cannot predict the ultimate outcome of the negotiations.

At December 31, 1994, the Company's accruals for environmental matters, including the alleged violations of the Clean Air Act, amounted to $10.8 million. Based on currently available information, including the participation of other parties or former owners in remediation actions, the Company believes these accruals are adequate. In addition, to comply with environmental laws and regulations, the Company anticipates that it will be required to make capital improvements in 1995 of approximately $2 million, primarily for the removal and upgrading of underground storage tanks, and approximately $8 million during 1996 for the installation of dike liners required under Alaska environmental regulations. Conditions that require additional expenditures may exist for various Company sites, including, but not limited to, the Company's refinery, retail gasoline outlets (current and closed locations) and petroleum product terminals, and for compliance with the Clean Air Act. The amount of such future expenditures cannot currently be determined by the Company.

UNION CARBIDE CORPORATION (DEC)

Millions of dollars	1994	1993
Accounts payable	$ 326	$ 310
Short-term debt	28	24
Payments to be made within 1 year on long-term debt	19	11
Accrued income and other taxes	179	189
Other accrued liabilities	733	662
Total Current Liabilities	1,285	1,196

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Environmental Costs —Environmental expenditures are expensed or capitalized as appropriate, depending on their future economic benefit. Expenditures relating to an existing condition caused by past operations and having no future economic benefits are expensed. Environmental expenditures include site investigation, physical remediation, operation and maintenance, and legal and administrative costs. Environmental accruals are established for sites where it is probable that a loss has been incurred and the amount of the loss can reasonably be estimated. Where the estimate is a range and no amount within the range is a better estimate than any other amount, the corporation accrues the minimum amount in the range.

7 (In Part): Supplementary Balance Sheet Detail

Other Accrued Liabilities		
Accrued accounts payable	$266	$213
Payrolls	61	57
Severance and relocation costs	36	94
Environmental remediation costs	62	51
Postretirement benefit obligation	34	30
Other	274	217
	$733	$662

16 (In Part): Commitments and Contingencies

Environmental —The corporation is subject to loss contingencies resulting from environmental laws and regulations, which include obligations to remove or mitigate the effects on the environment of the disposal or release of certain wastes and substances at various sites. The corporation has established accruals for those hazardous waste sites where it is probable that a loss has been incurred and the amount of the loss can reasonably be estimated. The reliability and precision of the loss estimates are affected by numerous factors, such as different stages of site evaluation, the allocation of responsibility among potentially responsible parties and the assertion of additional claims. The corporation adjusts its accruals as new remediation requirements are defined, as information becomes available permitting reasonable estimates to be made, and to reflect new and changing facts.

At Dec. 31, 1994, the corporation had established environmental remediation accruals in the amount of $297 million ($265 million in 1993), of which $235 million is classified as *Other long-term obligations* ($214 million in 1993). Approximately 46 percent of the corporation's environmental accrual at Dec. 31, 1994, pertained to closure and postclosure costs for both operating and closed facilities. In addition, the corporation had environmental loss contingencies of $147 million at Dec. 31, 1994 ($115 million at Dec. 31, 1993).

Deferred Taxes

FIELDCREST CANNON, INC. (DEC)

Dollars in thousands	1994	1993
Current liabilities		
Accounts and drafts payable	$ 55,533	$ 61,365
Federal and state income taxes	2,268	262
Deferred income taxes	21,988	14,799
Accrued liabilities	53,958	65,996
Current portion of long-term debt	1,465	8,397
Total current liabilities	135,212	150,819
Non-current liabilities		
Senior long-term debt	107,744	84,611
Subordinated long-term debt	210,000	210,000
Total long-term debt	317,744	294,611
Deferred income taxes	42,859	35,182
Other non-current liabilities	55,648	66,504
Total non-current liabilities	416,251	396,297
Total liabilities	551,463	547,116

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Tabular amounts in thousands except per share

Note 13 (In Part): Income Taxes

At December 31, 1994, the Company had $43.3 million of deferred tax assets and $108.1 million of deferred income tax liabilities which have been netted for presentation purposes. The significant components of these amounts as shown on the balance sheet are as follows:

	12/31/94		12/31/93	
	Current Liability	Noncurrent Liability	Current Liability	Noncurrent Liability
Depreciation	$ —	$51,176	$ —	$51,805
Inventory Valuation	36,472	—	35,961	—
Deferred compensation	(392)	(2,045)	95	(1,659)
Accruals and allowances	(14,686)	(6,439)	(16,952)	(7,513)
Operating loss and tax credit carryover	—	—	(4,305)	—
Adjustment from recognizing additional pension liability	—	—	—	(4,781)
Other	594	(167)	—	(2,670)
Total deferred tax liabilities	$ 21,988	$42,859	$ 14,799	$35,182

Advertising

SARA LEE CORPORATION (JUN)

(dollars in millions)	1994	1993
Notes payable	$1,281	$ 843
Accounts payable	1,253	1,151
Accrued liabilities		
Payroll and employee benefits	668	429
Advertising and promotion	313	282
Taxes other than payroll and income	206	179
Income taxes	13	50
Other	1,103	909
Current maturities of long-term debt	82	426
Total current liabilities	4,919	4,269

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Advertising

During 1994, the American Institute of Certified Public Accountants issued Statement of Position 93-7, "Reporting on Advertising Costs," which will be effective for the corporation's fiscal 1995 statements. The statement primarily requires that the cost of advertising be expensed no later than the first time the advertising takes place. The impact of adopting this statement is not expected to have a material impact upon the corporation's results of operations or financial position.

Billings In Excess Of Costs

CBI INDUSTRIES, INC. (DEC)

Thousand of dollars	1994	1993
Current Liabilities		
Notes Payable	$ 72,589	$ 43,472
Current Maturities of Long-Term Debt	17,241	25,226
Accounts Payable	94,523	66,558
Dividends Payable	2,675	2,790
Accrued Liabilities	117,851	137,871
Contracts in Progress with Progress Billings exceeding related Earned Revenues	42,813	52,198
Income Taxes Payable	31,360	16,955
	379,052	345,070

KEVLIN CORPORATION (MAY)

	1994	1993
Current liabilities:		
Accounts payable	$ 519,908	$ 320,743
Billings in excess of costs and estimated earnings on uncompleted contracts	17,100	1,027,732
Accrued and deferred income taxes	-0-	7,526
Current portion of obligation under capital lease	55,832	59,753
Accrued expenses and other current liabilities	1,280,673	1,057,172
Total current liabilities	1,873,513	2,472,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

For financial statement purposes, revenues and profits are recorded using the percentage-of-completion method for certain contracts based on the product type, contract size and duration of time to completion. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. Revenues and profits on all other contracts are recorded as shipments are made. If estimated total costs on any of these contracts indicate a loss, the entire amount of the estimated loss is recognized immediately.

Costs and estimated earnings in excess of billings on uncompleted contracts, as reflected on the accompanying consolidated balance sheet, comprise amounts of revenue recognized on contracts for which billings have not been rendered. Billings in excess of costs and estimated earnings on uncompleted contracts comprise amounts of billings recognized on contracts for which costs have not been incurred. In accordance with industry practice, the Company includes in current assets and liabilities amounts realizable and payable under long-term contracts.

Royalties

CYPRUS AMAX MINERALS COMPANY (DEC)

(In millions)	1994	1993
Current Liabilities		
Current Portion of Long-Term Debt	$ 21	$180
Current Portion of Production Payments	47	42
Accounts Payable	144	187
Accrued Payroll and Benefits	92	98
Accrued Royalties and Interest	36	118
Other Accrued Liabilities	142	163
Taxes Payable, Other Than Income Taxes	61	64
Income Taxes Payable	57	88
Dividends Payable	18	20
Total Current Liabilities	618	960

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 (In Part): Leases and Mineral Royalty Obligations

Cyprus Amax leases mineral interests and various other types of properties, including draglines, shovels, longwalls, offices, computing services, and miscellaneous equipment. Certain of the Company's mineral leases require minimum annual royalty payments, whereas others provide only for royalties based on production.

Accrued minimum royalties that are not expected to be recovered from future coal production consist of the following at December 31:

(In millions)	1994	1993
Minimum Future Royalties	$105	$115
Less Imputed Interest	(32)	(41)
Present Value of Payments	73	74
Less Current Portion Included in Accrued Royalties and Interest	(7)	(7)
Long-Term Portion Included in Other Noncurrent Liabilities and Deferred Credits	$ 66	$ 67

Book Overdrafts

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

(Dollars in thousands)	1994	1993
Current Liabilities:		
Current portion of long-term debt	$ 77,755	$ 104,660
Current portion of obligations under capital leases	16,097	18,021
Accounts payable	458,875	512,604
Book overdrafts	196,818	161,851
Accrued salaries, wages and benefits	173,366	157,405
Accrued taxes	35,879	11,953
Other accruals	192,342	198,229
Total current liabilities	1,151,132	1,164,723

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Current Liabilities

Under the Company's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are classified as "Book overdrafts" in the balance sheet.

The Company accrues for vested and non-vested vacation pay. Liabilities for compensated absences of $84 million and $87 million at February 26, 1994 and February 27, 1993, respectively, are included in the balance sheet caption "Accrued salaries, wages and benefits."

Futures Contracts

HANDY & HARMAN (DEC)

	1994	1993
Current liabilities:		
Short-term borrowings	$ 34,750,000	$ 28,000,000
Current maturities of long-term debt	7,000,000	7,000,000
Accounts payable	45,044,000	46,980,000
Futures payable	37,772,000	—
Advances from smelter	4,118,000	8,935,000
Other current liabilities	24,909,000	23,619,000
Total current liabilities	153,593,000	114,534,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E — Futures Contracts

Consistent with the Company's policy of maintaining constant inventory levels under the last-in, first-out (LIFO) method of accounting, precious metals are purchased at the same prices and quantities as shipments to customers. Additionally, to the extent that an increase in inventory is required to support operations, precious metals are purchased and immediately sold for future delivery, creating a futures receivable and eliminating the economic risk of price fluctuations. Also to the extent there is a decrease in inventory required to support operations, precious metals are sold and immediately purchased for future receipt, creating a futures payable and also eliminating the economic risk of price fluctuations.

Future sales and purchases of precious metals are excluded from sales and cost of sales in the accompanying income statement. The related margin deposits are included with the futures receivable/payable. The income/expense from the future sales/purchases of precious metals is amortized over the contract period and is included in interest expense.

Acquisition Price Payable

MEDTRONIC, INC. (APR)

(in thousands of dollars)	1994	1993
Current Liabilities:		
Short-term borrowings	$58,173	$91,864
Accounts payable—trade	32,673	25,429
Accounts payable—other	68,492	56,747
Acquisition price payable	39,130	—
Accrued compensation	53,537	49,154
Accrued income taxes	104,894	63,414
Other accrued expenses	82,545	67,518
Total Current Liabilities	439,444	354,126

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and Divestitures

On April 25, 1994, the company acquired all of the outstanding shares of Electromedics, Inc., for approximately $95.3 million. The purchase price consisted of approximately $39.1 million payable in cash and approximately 778,000 shares of the company's common stock valued at $56.2 million. Electromedics designs, manufactures, and markets blood management and blood conservation equipment for use in autotransfusion during major medical procedures.

Litigation

TOKHEIM CORPORATION (NOV)

(Amounts in thousands)	1994	1993
Current liabilities:		
Current maturities of long-term debt	$ 1,248	$ 1,237
Notes payable to banks	1,661	18,684
Accounts payable	16,215	19,333
Accrued expenses	16,990	14,471
Total current liabilities	36,114	53,725

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

15 (In Part): Contingent Liabilities

Product Liability and Other Matters — The Company is subject to various other legal actions arising out of the conduct of its business, including those relating to product liability, patent infringement, and claims for damages alleging violations of federal, state, or local statutes or ordinances dealing with civil rights. Total amounts included in accrued expenses related to these actions were $265 and $576 at November 30, 1994 and 1993, respectively. In the opinion of management of the Company, amounts accrued for awards or assessments in connection with these matters are adequate and ultimate resolution of these matters will not have a material effect on the Company's consolidated financial position, results of operations, or cash flow.

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."

Statement of Financial Accounting Standards No. 107 requires that the fair value of long-term debt be disclosed if it is practicable to estimate fair value. *SFAS No. 107* is currently effective for entities with total assets of $150 million or more, and will be effective for entities with total assets of less than $150 million for fiscal years ending after December 15, 1995. The requirements of *SFAS No. 107* do not apply to leases.

440 survey companies made 647 disclosures as to fair value. 235 disclosures stated that fair value was determined by quoted market prices; 132 disclosures stated that fair value approximated the carrying amount of debt; 127 disclosures stated that fair value was determined by the discounted value of future cash flows; 121 disclosures stated that fair value was determined by the currently available borrowing rate; and 32 disclosures did not fit into the above categories.

Examples of long-term debt presentations follow. Examples of long-term lease presentations are presented in connection with Table 2-28.

TABLE 2-26: LONG-TERM DEBT

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Unsecured				
Notes	425	429	424	418
Debentures	183	188	201	227
Commercial paper	73	66	62	63
Loans	71	72	65	59
Collateralized				
Capitalized leases	309	320	340	355
Notes or loans	92	80	83	112
Mortgages	88	96	105	115
Convertible				
Debentures	72	90	103	111
Notes	23	18	21	18

AEL INDUSTRIES, INC. (FEB)

(Dollars in thousands)	1994	1993
Total current liabilities	$29,779	$30,702
Long-term debt, net of current portion	19,599	25,141
Other liabilities	1,713	2,483

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Long-Term Borrowings

Long-term borrowings consist of:

(Dollars in thousands)	Feb. 25, 1994	Feb. 26, 1993
10.03% senior unsecured note payable, principal due annually through April 1997.	$13,400	$20,000
Industrial revenue bonds, interest is variable, (2.8% at February 25, 1994, and 2.4% at February 26, 1993), principal due September 1994 through 2010. (Bonds are collateralized by certain property and equipment at the Company's St. Louis Regional Airport facility.)	6,500	6,500
Industrial revenue bonds, interest is variable, (2.8% at February 25, 1994, and 2.4% at February 26, 1993), principal due April 2009. (Bonds are collateralized by certain property and equipment of the Company's Cross Systems Division.)	4,000	4,000
Obligation under capital lease, interest at prime plus 1%, principal due quarterly through December 1996. (Lease is collateralized by data processing equipment.)	779	1,039
Other	462	580
	25,141	32,119
Less current portion	5,542	6,978
	$19,599	$25,141

Aggregate maturities of long-term borrowings over the next five fiscal years are as follows: 1995—$5,542,000; 1996—$3,857,000; 1997—$3,872,000; 1998—$2,127,000; 1999—$342,000. Aggregate maturities reflect the Company's exercised option to accelerate, from the end of the loan term to April 1994, repayment of $1,700,000 of the 10.03% senior unsecured note payable.

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 $1,965,000, $2,507,000 and $3,430,000 on short-term and long-term borrowings during fiscal years 1994, 1993 and 1992, respectively.

BALL CORPORATION (DEC)

(dollars in millions)	1994	1993
Total current liabilities	$499.7	$451.2
Noncurrent liabilities		
Long-term debt	377.0	513.3
Deferred income taxes	56.6	65.1
Employee benefit obligations, restructuring and other	193.7	191.4
Total noncurrent liabilities	627.3	769.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt and Interest Costs (In Part):

Long-Term Debt

Long-term debt at December 31, 1994 and 1993, consisted of the following:

(dollars in millions)	1994	1993
Notes Payable		
Private placements:		
8.09% to 8.75% serial installment notes (8.50% weighted average) due 1996 through 2012	$110.0	$110.0
9.35% to 9.66% serial notes (9.56% weighted average) due through 1998	60.0	80.0
9.65% to 10.00% serial notes (9.95% weighted average) due through 1998	55.0	65.0
8.20% to 8.57% serial notes (8.35% weighted average) due 1999 through 2000	60.0	60.0
9.18% Canadian note due 1998	21.4	22.7
6.64% notes due 1995	20.0	20.0
8.875% installment notes due through 1998	8.0	10.0
Floating rate bank revolving credit	—	75.0
Industrial Development Revenue Bonds		
Floating rates (5.50%–6.54% at December 31, 1994) due through 2011	34.1	34.9
7.00% to 7.75% due through 2009	2.0	11.0
Capital Lease Obligations and Other	10.7	13.7
ESOP Debt Guarantee		
8.38% installment notes due through 1999	30.8	35.2
8.75% installment note due 1999 through 2001	25.1	25.1
	437.1	562.6
Less:		
Current portion of long-term debt	(60.1)	(49.3)
	$377.0	$513.3

During the third quarter of 1994 the company entered into revolving credit agreements totaling $300.0 million which consist of a $150.0 million three-year facility and 364-day facilities of $150.0 million in the aggregate. The new revolving credit agreements provide for various borrowing rate options including borrowing rates based on a fixed spread over the London Interbank Offered Rate (LIBOR). The company pays a facility fee on the committed facilities.

The note, bank credit and industrial development revenue bond agreements, and guaranteed ESOP notes contain similar restrictions relating to dividends, investments, working capital requirements, guarantees and other borrowings. If financed with borrowings, the company had approximately $147.0 million available for payment of dividends and certain investments under these agreements at December 31, 1994.

ESOP debt represents borrowings by the trust for the company-sponsored ESOP which have been irrevocably guaranteed by the company.

Maturities of fixed long-term debt obligations excluding the bank credit agreements are $50.4 million, $56.7 million, $67.4 million and $51.2 million for the years ending December 31, 1996 through 1999, respectively.

A summary of total interest cost paid and accrued follows:

(dollars in millions)	1994	1993	1992
Interest costs	$44.5	$47.6	$38.2
Amounts capitalized	(2.2)	(1.7)	(1.0)
Interest expense	42.3	45.9	37.2
Gross amount paid during year	$38.9	$47.1	$33.4

At December 31, 1994, letters of credit amounting to $25.4 million were outstanding, primarily to provide security under insurance arrangements.

Financial and Derivative Instruments (In Part)

The following table presents the carrying amounts and fair values of the company's financial instruments at December 31, 1994 and 1993, as defined in SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." Accounts receivable and accounts payable are not included below because carrying amounts approximate fair value. Deferred balances related to derivative financial instruments which hedge interest risks on long-term debt are included in other noncurrent liabilities.

Rates currently available to the company for loans with similar terms and maturities are used to estimate the fair value of long-term debt. The fair value of derivatives generally reflects the estimated amounts that the company would pay or receive upon termination of the contracts at December 31, 1994 and 1993, taking into account any unrealized gains or losses of open contracts.

	1994		1993	
(dollars in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Long-term debt	$437.1	$448.5	$562.6	$614.6
Derivatives relating to debt				
Noncurrent liabilities	—	(2.3)	—	0.6

BARNES GROUP INC. (DEC)

(Dollars in thousands)	1994	1993
Total current liabilities	$87,212	$81,729
Long-term debt	70,000	70,000
Guaranteed ESOP obligation	9,839	12,011
Accrued retirement benefits	66,817	65,338
Other liabilities	10,949	12,369

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (All dollar amounts included in the notes are stated in thousands)

6. Debt and Commitments

Long-term debt at December 31, consisted of:

	1994		1993
	Carrying Amount	Fair Value	Carrying Amount
Senior Notes	$40,000	$42,100	$40,000
Borrowings under lines of credit	23,000	23,000	23,000
Other	7,000	7,000	7,000
	$70,000	$72,100	$70,000

Senior Notes placed with insurance companies are payable in thirteen semi-annual payments of $3,077, beginning in September, 1995, and bear interest at 9.47%. The fair value of these notes is determined using discounted cash flows based on the company's estimated current interest rate for similar types of borrowings. The carrying values of other long-term debt, notes payable and guaranteed ESOP obligation approximate their fair value.

The company has a revolving credit agreement with six banks that allows borrowings up to $100,000 under notes due December 6, 1999. A commitment fee of .17% per annum is paid on the unused portion of the commitments. The company had no borrowings under this agreement at December 31, 1994 and 1993.

The company has available approximately $155,000 in uncommitted, short-term bank credit lines, of which $30,000 and $33,500 were in use at December 31, 1994 and 1993, respectively. The interest rate on these borrowings was 6.2% and 3.4% at December 31, 1994 and 1993.

At December 31, 1994, the company classified $23,000 of borrowings under its lines of credit and $3,077 of its Senior Notes due within one year as long-term debt. The company has both the intent and the ability, through its revolving credit agreement, to refinance these amounts on a long-term basis.

The company does not use derivatives for trading purposes. Interest rate swaps, a form of derivative, are used to manage interest costs. During 1994 and 1993, the company used two interest rate swaps, one of which matured in 1994. Currently, the company maintains an interest rate swap agreement which effectively converts $20,000 of its fixed rate Senior Notes to floating rate debt with interest equal to LIBOR plus 83 basis points. The effective interest rate on this floating rate portion was 7.3% and 4.2% at December 31, 1994 and 1993, respectively. The difference between fixed rate and floating rate interest is recognized as an adjustment to interest expense in the period incurred. This swap decreases as the Senior Notes are repaid. The fair value of the swap is estimated based upon current settlement prices and was approximately $710 at December 31, 1994.

The company has guaranteed $7,400 of letters of credit and capital lease obligations related to its 45% investment in NASCO. In addition, the company has other outstanding letters of credit totalling $8,000 at December 31, 1994.

Maturities of long-term debt in each of the next five years are: $3,077, $6,154, $6,154, $6,154 and $29,154. As noted, the 1995 maturity has been classified as long-term.

Certain of the company's debt arrangements contain requirements as to maintenance of minimum levels of working capital and net worth, and place certain restrictions on dividend payments and acquisitions of the company's common stock. Under the most restrictive covenant in any agreement, $34,009 was available for dividends or acquisitions of common stock at December 31, 1994.

Interest paid was $5,626, $5,496 and $6,650 in the years 1994, 1993 and 1992, respectively.

DAYTON HUDSON CORPORATION (JAN)

(Millions of Dollars)	1995	1994
Total Current Liabilities	$3,390	$3,075
Long-term Debt	4,488	4,279
Deferred Income Taxes and Other	582	536

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

Long-term Debt

At January 28, 1995, $447 million of notes payable were outstanding, all of which was classified as long-term debt as it was supported by the Corporation's revolving credit agreement, which expires in 1999. Beginning in 1994, notes payable are classified as long-term, provided the term of the related credit agreement exceeds one year and to the extent any unused commitments thereunder equal or exceed the amount of notes payable outstanding. The average amount of notes payable outstanding during 1994 was $418 million at a weighted average interest rate of 4.9%.

The average interest rate on total debt portfolio, excluding capital leases, was 8.8% in 1994.

At year end the debt portfolio was as follows:

Long-term Debt	January 28, 1995	January 29, 1994
Notes payable	$ 447	$ 200
4.65% to 9.95% Notes and other, due 1994-1999	544	711
6.625% to 10% Notes and other, due 2000-2004	1,037	1,037
9.25% to 9.625% Debentures and other, due 2005-2009	201	201
8.6% to 10.03% Debentures and other, due 2010-2014	549	549
9.25% to 9.875% Debentures and other, due 2015-2019	514	541
7.65% to 9.99% Debentures, due 2020-2023	1,286	1,286
Total unsecured notes and debentures, and other	4,578	4,525
Capital lease obligations	119	127
Less: current portion	(209)	(373)
Long-term debt	$4,488	$4,279

Required principal payments on long-term debt and notes payable over the next five years, excluding capital lease obligations, are $204 million in 1995, $68 million in 1996, $100 million in 1997, $170 million in 1998 and $449 million in 1999.

In 1994, the Corporation entered into interest rate swap agreements which effectively exchange fixed interest rates for variable interest rates on $175 million of long-term debt without the exchange of underlying principal. The interest rate swaps were entered into to manage the portfolio mix of fixed and floating rate debt, within established parameters. The difference to be paid or received varies as short-term interest rates change and is accrued and recognized as an adjustment to interest expense. The initial terms of the agreements range from one to three years. Market risks arise from the movements in interest rates. The Corporation's credit risk is limited to the fair market value of the interest rate swaps. During 1994, the Corporation terminated fixed interest rate swaps at a premium of $22 million. The premium is being amortized into interest expense through 1999. At January 28, 1995, the unamortized premium was $19 million.

Subsequent to year-end, the Corporation issued $150 million of long-term debt at 7.5%, maturing in 1999. The proceeds from the issuance were used for general corporate purposes.

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments were as follows:

	January 28, 1995		January 29, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments recorded as long-term liabilities:				
Unsecured notes, and debentures, and other debt	$4,578	$4,701	$4,525	$5,167
Off-balance sheet financial instruments:				
Interest rate swaps	—	(7)	—	(31)

The fair value of long-term debt and interest rate swaps was estimated using discounted cash flow analysis, based on the Corporation's current incremental interest rates for similar types of financial instruments. The carrying value of cash equivalents approximates fair value due to its short maturity.

EASTMAN KODAK COMPANY (DEC)

(In millions)	1994	1995
Total current liabilities	$ 5,735	$ 4,053
Other Liabilities		
Long-term borrowings	660	6,727
Postemployment liabilities	3,671	3,491
Other long-term liabilities	790	1,183
Deferred income tax credits	95	—
Total liabilities	10,951	15,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Borrowings (In Part)

(In millions) Description	Maturity Dates	At December 31, 1994	1993
Notes:			
7.25%–8.9%	1997–2003	$433	$ 820
9.38%–9.5%	2003–2008	178	3,825
10.0%–10.05%		—	650
Debentures:			
6 3/8% convertible subordinated		—	278
Zero coupon convertible subordinated		—	1,127
9.2%–9.95%	2018–2021	13	325
10 3/8% Eurobonds		—	111
Other	Various	36	67
		660	7,203
Current maturities		—	(350)
		660	6,853
Amounts assumed by discontinued operations		—	(126)
Total		$660	$6,727

Annual maturities (in millions) of long-term borrowings outstanding at December 31, 1994, are as follows: 1995: $0; 1996: $0; 1997: $245; 1998: $0; 1999: $78; 2000 and beyond: $337.

Over the past several years, the Company had a program in place to manage interest rates related to its long-term borrowings portfolio. In connection with this program, the Company utilized various interest rate derivatives in order to achieve an acceptable overall interest rate on its portfolio of long-term borrowings. During 1994, and in connection with the Company's debt pay-down program described below, all interest rate derivatives held in the Company's portfolio were extinguished.

In 1994, the Company tendered, defeased and called a total of $6,043 million (net carrying amount) of long-term borrowings and extinguished approximately $7,800 million (notional amount) of derivatives. The cash paid to the holders of long-term borrowings and derivatives over the respective net carrying amounts of such instruments was recorded as an extraordinary loss of $266 million after-tax ($367 million pre-tax) on the early extinguishment of debt. The effective tax rate for the extraordinary loss of 27% was unfavorably affected by the allocation of foreign tax credit impacts. In addition to the extraordinary loss, a $110 million pre-tax loss was recorded in "other costs" for certain financial instruments related to other programs.

The following table includes the long-term borrowings and related net carrying amounts extinguished through these actions:

(In millions) Tendered	Maturity Dates	Net Carrying Amount
7.25%–8.9%	1997–1999	$ 293
9.2%–9.95%	1995–2018	2,214
10.0%–10.375%	1995–2001	207
Defeased		
9.2% notes	1995	500
10 3/8% Eurobonds	1995	81
9 1/8% notes	1998	525
9 1/2% notes	2000	232
10.0% notes	2001	122
9 3/4% notes	2004	91
9 7/8% notes	2004	104
Called		
9 5/8% notes	1999	274
6 3/8% convertible subordinated debentures	2001	275
Zero coupon convertible subordinated debentures	2011	1,125
Total		$6,043

The total net carrying amount of all derivatives and long-term borrowings extinguished in 1994 amounted to approximately $6,725 million; certain amounts were previously recorded as "long-term borrowings" and "other long-term liabilities".

The cash paid to counterparties to extinguish the Company's derivative obligations and for related transaction costs amounted to $921 million. The tender offer resulted in $2,901 million of cash being paid to debt holders and for related transaction costs.

The in-substance defeasance was achieved by purchasing investment instruments under an arrangement consistent with the provisions of SFAS No. 76, Extinguishment of Debt. The Company believes that the investments placed in the defeasance trust will be sufficient to satisfy all future debt service requirements for the defeased debt instruments. The total cash paid for the investments placed in the defeasance trust, including transaction costs, amounted to $1,692 million.

The debentures and notes that were called by the Company resulted in a combination of approximately 8.3 million shares (6.3 million common shares and 2 million treasury shares) of the Company's common stock being issued (an increase of $353 million in common stock and additional capital paid in) and $1,349 million in cash being paid to debenture holders.

Financial Instruments (In Part):

The following table presents the carrying amounts and the estimated fair values of financial instruments at December 31, 1994 and 1993; ( ) denotes liabilities:

(In millions)	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities:				
Current	$ 48	$ 48	$ 223	$ 223
Long-term	103	99	108	104
Other investments	67	68	93	93
Long-term borrowings	(660)	(672)	(6,727)	(7,378)
Interest rate swaps and options	—	—	(864)	(1,288)
Foreign currency swaps held	(74)	(74)	(31)	(43)
Foreign currency forwards held	6	6	19	19
Foreign currency options held	25	(25)	50	(19)

The fair values of long-term borrowings were determined by reference to quoted market prices or by obtaining quotes from dealers. Marketable securities and other investments are valued at quoted market prices, except for $66 million and $81 million of equity investments included in other investments at December 31, 1994 and 1993, respectively, which are reflected at their carrying value because it is not practical to estimate fair value as quoted market prices do not exist. The fair values for the remaining financial instruments in the above table are based on dealer quotes and reflect the estimated amounts the Company would pay or receive to terminate the contracts. The carrying value of cash and cash equivalents, receivables, short-term borrowings, and payables approximate their fair values.

The Company, as a result of its global operating and financial activities, is exposed to changes in interest rates and foreign currency exchange rates which may adversely affect its results of operations and financial condition. In seeking to minimize the risks and/or costs associated with such activities, the Company manages exposure to changes in interest rates and foreign currency exchange rates through its regular operating and financing activities and, when deemed appropriate, through the use of financial instruments. The instruments utilized include forward, option and swap agreements. The Company does not utilize financial instruments for trading or other speculative purposes, nor does it utilize leveraged financial instruments. Furthermore, during 1994 and in connection with the Company's debt paydown program, all interest rate financial instruments were extinguished.

EATON CORPORATION (DEC)

(Millions)	1994	1993
Current liabilities		
Short-term debt	$ 14	$ 14
Current portion of long-term debt	22	110
Accounts payable	449	266
Accrued compensation	163	106
Accrued income and other taxes	60	23
Other current liabilities	394	268
	1,102	787
Long-term debt	1,053	649
Postretirement benefits other than pensions	573	509
Other long-term liabilities	274	218

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt and Other Financial Instruments (In Part)

The Company's subsidiaries outside the United States have lines of credit, primarily short-term, aggregating $115 million from various banks worldwide. Most of these arrangements are reviewed periodically for renewal. At December 31, 1994, the Company had $19 million outstanding under these lines of credit with banks. The weighted average interest rate on short-term debt, excluding immaterial amounts for highly inflationary countries, at December 31, 1994 and 1993 was 6.8% and 8.1%, respectively.

Long-term debt at December 31, excluding the current portion, follows (in millions):

	1994	1993
Notes of Employee Stock Ownership Plan due through 1999	$ 66	$ 82
6 3/8% notes due 1999	100	
9% notes due 2001	100	100
8% debentures due 2006 (due 1996 at option of debenture holders)	86	86
8.9% debentures due 2006	100	100
7% debentures due 2011, net of unamortized discount of $93 million in 1994 and $95 million in 1993 (effective interest rate 14.6%)	107	105
8 7/8% debentures due 2019 (due 2004 at option of debenture holders)	38	38
8.1% debentures due 2022	100	100
7 5/8% debentures due 2024	100	
Unsecured notes (6% to 6.4%)	210	
Other	46	38
	$1,053	$649

To refinance a portion of the cost of the acquisition of DCBU, in April 1994, the Company sold $100 million of 6⅜% notes due 1999 and $100 million of 7⅝% debentures due 2024. Concurrent with the sale of the 6⅜% notes and the 7⅝% debentures, the Company terminated, and settled for cash, interest rate swap agreements with notional amounts totaling $200 million which hedged the sale of the notes and debentures. The gain on the termination of the interest rate swap agreements is being amortized to interest expense over the life of the notes and debentures and effectively reduces the annual rate of the notes to 4.8% and the debentures to 7.1%.

In January 1994, in order to finance the acquisition of DCBU, the Company entered into a $555 million 364-day revolving credit agreement and a $555 million five-year revolving credit agreement. During 1994, as a result of the sale of $200 million of notes and debentures, the sale of $214 million of Common Shares and cash flow from operations, the Company canceled the 364-day revolving credit agreement and reduced the $555 million five-year revolving credit agreement to $300 million. The $210 million of unsecured notes at December 31, 1994 relate to the acquisition of DCBU. These unsecured notes are classified as long-term debt because the Company intends, and has the ability under the five-year $300 million revolving credit agreement, to refinance this debt on a long-term basis.

Notes of the Employee Stock Ownership Plan, which are guaranteed by the Company, consist of $55 million at a floating interest rate (5.5% at December 31, 1994) based on LIBOR and $26 million at a fixed interest rate of 7.6% ($15 million of these notes are included in current portion of long-term debt). The Company has entered into a series of interest rate swaps, which expire ratably through 1999, and which change the interest rate on the $26 million of fixed interest rate notes to fixed interest rates of 7.1% and 6.9% as to $7 million and $16 million, respectively, and to a floating interest rate (5.2% at December 31, 1994) based on LIBOR as to $3 million.

In April 1994, the Company sold a five-year interest rate cap in exchange for a premium (cash) of $1.5 million. This agreement effectively converts the $100 million of 6⅜% notes into floating rate debt at LIBOR minus 2.6% when LIBOR exceeds 9%.

At December 31, 1994, the Company had entered into interest rate caps commencing in January 1995 which effectively place a 5.5% ceiling on $100 million of floating rate debt through November 1, 1995.

In 1994, the Company entered into two interest rate swaps aggregating $50 million that expire in 2000, which partially offset the effect of a $100 million 9% interest rate swap also expiring in 2000. The net effect of these swaps at December 31, 1994 was to convert $50 million of floating rate debt to fixed rate debt at 9% and another $50 million of floating rate debt to LIBOR plus 3.1%.

Aggregate mandatory sinking fund requirements and annual maturities of long-term debt are as follows (in millions): 1995, $22; 1996, $120; 1997, $22; 1998, $22; and 1999, $323. The amount for 1996 includes $86 million of 8% debentures due in 1996 at the option of the debenture holders. The amount for 1999 includes $210 million of unsecured notes due to the expiration of the five-year revolving credit agreement in 1999.

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The notional amounts, carrying amounts and fair values of financial instruments outstanding at December 31 follow (in millions):

	1994		
	Notional amount	Carrying amount	Fair value
Cash and short-term investments		$ 41	$ 41
Marketable equity investments		51	51
Marketable debt securities		26	26
Short-term debt		(14)	(14)
Long-term debt and current portion of long-term debt		(1,075)	(1,114)
Foreign currency forward exchange contracts and options	$189	1	(1)
Interest rate swaps			
Fixed to floating	76		(5)
Floating to fixed	123		(4)
Interest rate caps			
Purchased	100		2
Sold	(100)	(1)	(2)

The fair value of short-term investments, marketable equity investments and debt securities, short-term and long-term debt, and interest rate swaps and caps was principally based on quoted market prices. The fair value of foreign currency forward exchange contracts and options, which primarily mature in 1995, was estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

HAMPTON INDUSTRIES, INC. (DEC)

	1994	1993
Total current liabilities	$15,649,232	$12,918,619
Deferred income tax liabilities	1,497,683	1,713,100
Long-term debt (Note E)	17,002,214	20,721,872
Retirement plan obligations	4,191,790	3,541,116

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Fair Value of Financial Instruments

During October 1994, the Financial Accounting Standards Board issued SFAS 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments." This statement requires the disclosure of estimated fair values for all financial instruments for which it is practicable to estimate fair value.

For instruments including cash, accounts receivable and payable, accruals, notes payable—banks and current maturities of long-term debt, it was assumed that the carrying amount approximated fair value because of their short maturity.

For investment in and advances to unconsolidated subsidiaries without quoted prices, predominantly equity interests, the carrying amount approximates fair value which is based on current financial information.

The carrying amount of long-term debt—banks, capitalized lease obligations and the mortgage note due through the year 2000, all of which bear interest at floating rates, are also assumed to approximate their fair values.

E. Long-Term Debt

	1994	1993
Notes payable—banks (i)	$10,685,000	$17,240,000
8¼% mortgage notes, due monthly to 1996 (ii)	836,727	1,242,675
Capitalized lease obligations	2,583,343	3,129,174
2% promissory note, due quarterly to 1997	61,801	91,789
Mortgage note, due quarterly to 2000	3,900,000	—
	18,066,871	21,703,638
Less amount due in one year	1,064,657	981,766
	$17,002,214	$20,721,872

Annual maturities of bank and other long-term debt, including capitalized leases, are as follows:

1995	$ 1,064,657
1996	11,705,534
1997	593,332
1998	593,332
1999	1,510,016
2000	2,600,000
	$18,066,871

(i) On December 1, 1994, the Company executed a new bank credit agreement (The "Agreement") with its existing senior lenders. The Agreement provides for a line of credit that varies with seasonal requirements. The commitment level ranges from a high of $45,000,000 for the period July 1, 1995 to November 30, 1995, to a low of $15,000,000 for the period January 1, 1996 to March 31, 1996. The notes bear interest at the London Interbank Offered Rate or Prime Rate if the London Interbank Offered Rate is not available at the effective date of the borrowings. The indebtedness under the Agreement is collateralized by the Accounts Receivable of the Company and its subsidiaries and the import inventory ($14,400,000 on a FIFO basis) of Hampco Apparel, Inc., a wholly owned subsidiary. The agreement, which expires July 2, 1996, provides for, among other things, an annual reduction in borrowings to no more than $13,000,000 for a thirty consecutive day period. In addition, the total of borrowings and outstanding letters of credit outstanding each month are restricted to a prescribed percent of Accounts Receivables.

The Agreement contains financial convenants with respect to borrowings, working capital, tangible net worth leverage, cash flow and interest coverage. In addition, the Agreement restricts fixed asset purchases and does not allow the payment of cash dividends. There is no requirement to maintain compensating balances under the Agreement; however, the Company is required to pay a facility fee of ½ of 1% per annum on the total commitment.

(ii) The 8¼% mortgage notes are payable primarily to principal stockholders of the Company and members of their families.

(iii) The mortgage notes and the capitalized lease obligations are collateralized by building and property having a carrying value at December 31, 1994 of $14,662,000. The effective interest rate on the aggregate amount of capitalized leases at December 31, 1994 was 5.87%. The effective interest rate on the mortgage note due in 2000 at December 31, 1994 was 8.57%.

At December 31, 1994, letters of credit amounting to approximately $29,426,000 relating to approximately $34,870,000 of purchase commitments issued to foreign suppliers were outstanding.

INTERNATIONAL PAPER COMPANY (DEC)

In millions	1994	1993
Total Current Liabilities	$4,034	$3,929
Long-Term Debt	4,464	3,601
Deferred Income Taxes	1,612	1,614
Minority Interest and Other Liabilities	1,212	1,262

NOTES TO FINANCIAL STATEMENTS

Note 9. Debt and Lines of Credit

A summary of long-term debt follows:

In millions at December 31	1994	1993
9.4% to 9.7% notes—due 1995–2002	$ 400	$ 400
$8^1/_8$% notes—due 2024	149	
$7^1/_2$% to $7^7/_8$% notes—due 2004–2007	648	199
$7^5/_8$% notes—due 2023	199	199
$6^7/_8$% notes—due 2023	197	197
$6^1/_8$% notes—due 2003	199	199
$5^3/_4$% convertible subordinated debentures—due 2002[1]	199	199
$5^1/_8$% debentures—due 2012	81	78
Medium-term notes—due 1995–2009[2]	594	549
Environmental and industrial development bonds—due 1995–2017[3,4]	848	747
Commercial paper and bank notes[5]	677	516
Other[6]	585	496
Total[7]	4,776	3,779
Less: Current maturities	312	178
Long-term debt	$4,464	$3,601

1 The $5^3/_4$% convertible subordinated debentures are convertible into Company common stock at a conversion price of $68.50 per share. These debentures are redeemable at par.
2 The weighted average interest rate on these notes was 8.5% in 1994 and 8.7% in 1993.
3 The weighted average interest rate on these bonds was 5.7% in 1994 and 5.3% in 1993.
4 Includes $323 million and $279 million of bonds at December 31, 1994 and 1993, respectively, which may be tendered at various dates and/or under certain circumstances.
5 The weighted average interest rate was 5.7% in 1994 and 3.5% in 1993.
6 Includes $96 million in 1994 and $95 million in 1993 of French franc borrowings with a weighted average interest rate of 4.7% in 1994 and 5.6% in 1993, and $227 million in 1994 and $214 million in 1993 of German mark borrowings with a weighted average interest rate of 6.7% in 1994 and 6.6% in 1993.
7 The fair market value was approximately $4.7 billion and $4.0 billion at December 31, 1994 and 1993, respectively.

At December 31, 1994 and 1993, the Company classified $1.0 billion and $795 million, respectively, of tenderable bonds, commercial paper and bank notes as long-term debt. The Company has the intent and ability to renew or convert these obligations through 1995 and into future periods.

Total maturities of long-term debt over the next five years are: 1995—$312 million, 1996—$228 million, 1997—$190 million, 1998—$171 million and 1999—$120 million.

At December 31, 1994, the Company had unused bank lines of credit of approximately $1.2 billion. The lines generally provide for interest at market rates plus a margin based on the Company's current bond rating. The principal line provides for $1.0 billion of credit through January 2000, cancelable only if the Company's bond rating drops below investment grade. A facility fee of .10% of the line is payable annually.

At December 31, 1994, notes payable classified as current liabilities included $1.7 billion of non-U.S. dollar-denominated debt with a weighted average interest rate of 5.9%.

In 1992, an extraordinary loss of $6 million after taxes ($.05 per share) was recorded for the extinguishment of high interest-rate debt.

OMNICOM GROUP INC. (DEC)

(Dollars in Thousands)	1994	1993
Total Current Liabilities	$1,986,642	$1,524,218
Long-Term Debt	187,338	278,312
Deferred Compensation and Other Liabilities	95,973	56,933
Minority Interests	41,549	28,214

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Long-Term Debt

Long-term debt outstanding as of December 31, 1994 and 1993 consisted of the following:

(Dollars in Thousands)	1994	1993
4.5%/6.25% Step-Up Convertible Subordinated Debentures with a scheduled maturity in 2000	$143,750	$143,750
6.5% Convertible Subordinated Debentures with a scheduled maturity in 2004	—	100,000
Cross currency fixed to floating rate swaps, at floating LIBOR rates, maturing at various dates through 1997 (Note 12)	—	11,435
Sundry notes and loans payable to banks and others at rates from 6% to 25%, maturing at various dates through 2004	47,164	35,518
Loan Notes, at various rates with a scheduled maturity in 1994	—	9,501
	190,914	300,204
Less current portion	3,576	21,892
Total long-term debt	$187,338	$278,312

During the third quarter of 1993, the Company issued $143,750,000 of 4.5%/6.25% Step-Up Convertible Subordinated Debentures with a scheduled maturity in 2000. The average annual interest rate through the year 2000

is 5.42%. The debentures are convertible into common stock of the Company at a conversion price of $54.88 per share subject to adjustment in certain events. The debentures are not redeemable prior to September 1, 1996. Thereafter, the Company may redeem the debentures initially at 102.984% and at decreasing prices thereafter to 100% at maturity, in each case together with accrued interest. The debentures also may be repaid at the option of the holder at anytime prior to September 1, 2000 if there is a Fundamental Change, as defined in the debenture agreement, at the repayment prices set forth in the debenture agreement, subject to adjustment, together with accrued interest.

On June 1, 1994, the Company issued a Notice of Redemption for its 6.5% Convertible Subordinated Debentures with a scheduled maturity in 2004. Prior to the July 27, 1994 redemption date, debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $28.00 per common share.

On August 9, 1993, the Company issued a Notice of Redemption for its 7% Convertible Subordinated Debentures with a scheduled maturity in 2013. Prior to the October 1993 redemption date, debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $25.75 per common share.

In the third quarter of 1989, a wholly-owned subsidiary of the Company issued interest bearing Loan Notes in connection with the acquisition of Boase Massimi Pollitt plc. The Loan Notes were repaid on June 30, 1994 at their nominal amount together with accrued interest.

On July 15, 1994, the Company amended and restated the revolving credit agreement originally entered into in 1988. This $250 million revolving credit agreement is with a consortium of banks and expires on June 30, 1997. This credit agreement includes a facility for issuing commercial paper backed by a bank letter of credit. The agreement contains certain financial convenants regarding current ratio, ratio of total consolidated indebtedness to total consolidated capitalization, ratio of net cash flow to consolidated indebtedness, and limitation on investments in and loans to affiliates and unconsolidated subsidiaries. At December 31, 1994 the Company was in compliance with all of these covenants.

Aggregate maturities of long-term debt in the next five years are as follow:

	(Dollars in Thousands)
1995	$ 3,576
1996	14,812
1997	2,043
1998	650
1999	460

On January 4, 1995, an indirect wholly-owned subsidiary of the Company issued Deutsche Mark 200 million Floating Rate Bonds (approximately $130 million). The bonds are unsecured, unsubordinated obligations of the issuer and are unconditionally and irrevocably guaranteed by the Company. The bonds bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.65% and may be redeemed at the option of the issuer on January 5, 1997 or any interest payment date thereafter at their principal amount plus any accrued but unpaid interest. Unless redeemed earlier, the bonds will mature on January 5, 2000 and will be repaid at par. The proceeds of this issuance were used for general corporate purposes, including the reduction of outstanding sundry notes and loans payable to banks and other outstanding credit obligations.

11. Fair Value of Financial Instruments

During 1994 the Company adopted Statement of Financial Accounting Standards No. 119 "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments."

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1994.

(Dollars in Thousands)	Carrying Amount	Fair Value
Cash, cash equivalents and investments available-for-sale	$256,634	$256,634
Long-term investments	5,532	5,532
Long-term debt	190,914	192,352
Financial Commitments:		
Forward exchange contracts	—	123
Guarantees	—	10,065
Letters of credit	—	19,879

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash equivalents and investments available-for-sale:

Cash equivalents and investments available-for-sale consist principally of investments in short-term, interest bearing instruments and are carried at fair market value, which approximates cost.

Long-term investments:

Included in deferred charges and other assets are long-term investments carried at cost, which approximates estimated fair value.

Long-term debt:

The fair value of the Company's convertible subordinated debenture issue was determined by reference to quotations available in markets where that issue is traded. These quotations primarily reflect the conversion value of the debentures into the Company's common stock. These debentures are redeemable by the Company, at prices explained in Note 7, which are less than the quoted market prices used in determining the fair value. The fair value of the Company's remaining long-term debt was estimated based on the current rates offered to the Company for debt with the same remaining maturities.

Financial commitments:
The estimated fair value of derivative positions are based upon quotations received from independent, third party banks and represent the net amount payable to terminate the position, taking into consideration market rates and counterparty credit risk. The fair values of guarantees, principally related to affiliated companies, and letters of credit were based upon the face value of the underlying instruments.

CREDIT AGREEMENTS

As shown in Table 2-27, many of the survey companies disclosed the existence of loan commitments from banks or insurance companies for future loans. Examples of such loan commitment disclosures follow.

TABLE 2-27: CREDIT AGREEMENTS

	1994	1993	1992	1991
Disclosing credit agreements	541	543	539	535
Not disclosing credit agreements	59	57	61	65
Total Companies	**600**	**600**	**600**	**600**

ABM INDUSTRIES INCORPORATED (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Debt

(a) Short-term debt and lines of credit
Prior to September 22, 1994, the Company had agreements with several banks for lines of credit totaling $13,000,000. In conjunction with the negotiation of the new credit facility described in (b) below, these lines were terminated.

As a result of maintaining a consolidated cash management system, the Company maintains overdraft positions at certain banks. Such overdrafts are included in current liabilities. The overdraft at October 31, 1993 was $4,231,000. The Company was not in an overdraft position at October 31, 1994.

(b) Long-term debt and credit agreement
Prior to September 22, 1994, the Company had a $20,000,000 credit agreement with a major U.S. bank. In conjunction with the negotiation of the new credit facility described below, this line was terminated. On September 22, 1994, the Company signed a new $100,000,000 credit agreement with a syndicate of U.S. banks. This agreement expires September 22, 1998, and at the Company's option, may be extended one year. The unsecured revolving credit facility provides, at the Company's option, interest at the prime rate or LIBOR+ .45%. The facility calls for a commitment fee payable quarterly, in arrears, of .15% based on the average daily unused portion. For purposes of this calculation, irrevocable standby letters of credit issued in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of October 31, 1994, the total outstanding amount under this facility was $72,451,000 comprised of $23 million in loans and $49,451,000 in standby letters of credit. The interest rate at October 31, 1994 was 6.3%. The Company is required, under this agreement to maintain financial ratios and places certain limitations on dividend payments. The Company is prohibited from paying cash dividends exceeding 50% of its net income for any fiscal year.

CERIDIAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

K (In Part): Financing Arrangements
During May 1994, the Company concluded a one year extension of its $35 million domestic revolving credit facility. Under the terms of the extension, the Company will be provided with credit availability equal to the lesser of $35 million or 75% of the amount of its eligible accounts receivable until May 30, 1995, all of which may be used to obtain revolving loans or standby letters of credit which may not have a final expiration date later than May 30, 1996. The credit facility as extended is unsecured. At December 30, 1994, there were $1.6 in letters of credit and no revolving loans outstanding under the facility.

Letter of credit fees are generally equal to 0.60% per annum of the amount of each letter of credit, unless the letter of credit involves a payment guarantee, in which case the rate is 1.20% per annum. The commitment fee on the unused portion of the facility is 0.30% per annum. Borrowings under the Credit Agreement are available at Bank of America's reference rate.

Under the terms of the extended facility, the Company must maintain a minimum consolidated net worth which is subject to increase based on the Company's net earnings after December 31, 1993, and certain equity contributions to the Company after the same date. As of December 31, 1994, the Company was in compliance with this covenant by $29.0. The Company is also required to achieve a prescribed level of operating earnings on a rolling four quarter basis, and is subject to additional covenants which limit debt, liens, contingent obligations, operating leases, investments, cash dividends on common stock, cash repurchases of stock, acquisitions and divestitures. The Company continues to be in compliance with all covenants associated with this credit facility.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Credit Agreements

The Corporation has two credit agreements in effect aggregating $45,000,000 with a group of four banks. The Revolving Credit Agreement commits a maximum of $22,500,000 to the Corporation for cash borrowings and letters of credit. The unused credit available under this facility at December 31, 1994 was $3,646,000. The commitments made under the Revolving Credit Agreement expire in October 1997, but may be extended annually for successive one year periods with the consent of the bank group. The Corporation also has in effect a Short Term Credit Agreement which allows for cash borrowings of $22,500,000, all of which was available at December 31, 1994. The Short Term Credit Agreement expires October 29, 1995. At expiration the Short Term Credit Agreement may be extended, with the consent of the bank group, for an additional period not to exceed 300 days. No cash borrowings were outstanding at December 31, 1994 or December 31, 1993. The Corporation is required under these Agreements to maintain certain financial ratios, and meet certain net worth and indebtedness tests for which the Corporation is in compliance. Under the provisions of the Agreements, retained earnings of $26,024,000 were available for cash dividends and stock acquisitions at December 31, 1994.

At December 31, 1994 substantially all of the industrial revenue bond issues are collateralized by real estate, machinery and equipment. Certain of these issues are supported by letters of credit which total approximately $13,400,000. The Corporation has various other letters of credit outside the Revolving Credit Agreement totaling approximately $614,000.

DYNAMICS CORPORATION OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Facilities

The Company has a Revolving Credit Agreement with banks (renegotiated in 1994) which provides a line of credit of up to $37,000,000 through November 30, 1998 at the lower of the prime rate or other rate options available at the time of borrowing. The Company pays a commitment fee of ¼% based on the unused portion of the line. The Agreement provides that, at the option of the Company, the principal outstanding at November 30, 1998 may be converted to a four year term loan, with interest at the lower of 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 for the year and in at least one of any two consecutive fiscal quarters. The Agreement requires maintenance of certain financial ratios and contains other restrictive covenants, including a restriction on payment of dividends to 50% of current year's net income plus $3,000,000.

The Company also has an uncommitted line of credit with a bank amounting to $9,000,000. 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.

Outstanding letters of credit, principally related to imports and bid and performance bond obligations, amounted to $6,932,000 at December 31, 1994.

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Long-term debt

The Company has a $300 million revolving credit agreement with a syndicate of banks which expires on May 31, 1995. This agreement provides for short-term borrowings and up to $100 million of letters of credit. The terms of the agreement, which were revised to adjust for the 1994 special charge, provide for a minimum net worth requirement and interest coverage ratio, as defined therein. Additional terms include a limitation on the payment of dividends, prepayment of debt, and amount of outstanding debt. The Company is required to have no borrowings outstanding under the revolving credit agreement for thirty consecutive days, or fifteen consecutive days during each half, of each calendar year. During 1994, there were no borrowings under this agreement, and at December 31, 1994, the Company was in compliance with all of its terms.

The Company pays commitment fees on the unused amount of the revolving credit agreement; there are no compensating balance requirements. Revolving credit borrowings, at the Company's option, are at the agent bank's base rate or the London Interbank Offered Rate, plus a margin depending on the Company's debt rating on its outstanding senior unsecured long-term debt securities. Commissions for letters of credit also vary depending on such debt rating. In addition, international subsidiaries maintain short-term credit arrangements with banks in accordance with local customary practice.

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 survey companies reported lessor leases.

Examples of long-term lease presentations and disclosure follow.

TABLE 2-28: LONG-TERM LEASES

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	498	493	490	482
Contingent	57	59	66	64
Sublease	77	69	75	74
Minimum rental payments				
Schedule of	493	490	479	475
Classified by major categories of property	18	23	26	31
Information Disclosed as to Capitalized Leases				
Minimum lease payments	145	149	164	174
Imputed interest	126	137	158	156
Leased assets by major classifications	56	50	51	63
Executory costs	27	32	31	31
Number of Companies				
Capitalized and noncapitalized leases	279	292	308	320
Noncapitalized leases only	235	224	194	179
Capitalized leases only	30	28	32	35
No leases disclosed	56	56	66	66
Total Companies	**600**	**600**	**600**	**600**

Lessee—Capital Leases

DOSKOCIL COMPANIES INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(F) Property, Plant and Equipment

Property, plant and equipment are stated at cost if acquired after September 28, 1991, the date the Company implemented Fresh Start Reporting as set forth in Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), issued by the American Institute of Certified Public Accountants. When assets are sold or retired, the costs of the assets and the related accumulated depreciation are removed from the accounts and the resulting gains or losses are recognized.

Depreciation and amortization are provided using the straight-line method over either the estimated useful lives of the related assets (3 to 40 years) or, for capital leases, the terms of the related leases.

Note 7 (In Part): Long-Term Debt

Leases

The Company leases certain facilities, equipment and vehicles under agreements which are classified as capital leases. The building leases have original terms ranging from 20 to 25 years and have renewal options for varying periods ranging from three years to 60 years. Most equipment leases have purchase options at the end of the original lease term. Leased capital assets included in property, plant and equipment at December 31, 1994 and January 1, 1994 are as follows (in thousands):

	1994	1993
Buildings	$ 2,666	$ 2,666
Machinery and equipment	10,441	6,669
	13,107	9,335
Accumulated amortization	4,452	2,385
	$ 8,655	$ 6,950

Future minimum payments, by year and in the aggregate, under noncancellable capital leases and operating leases with initial or remaining terms of one year or more consist of the following at December 31, 1994 (in thousands):

	Capital Leases	Operating Leases
1995	$2,704	$ 3,867
1996	2,582	3,555
1997	1,811	2,855
1998	1,046	2,529
1999	863	2,593
Future years	779	2,905
Total minimum lease payments	9,785	$18,304
Amounts representing interest	1,792	
Present value of net minimum payments	7,993	
Current portion	2,016	
	$5,977	

The Company's rental expense for operating leases was (in millions) $4.5, $4.0 and $3.0 for the fiscal years ended December 31, 1994, January 1, 1994 and January 2, 1993.

FRUIT OF THE LOOM, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Property, Plant and Equipment. Property, plant and equipment is stated at cost. Depreciation, which includes amortization of assets under capital leases, is based on the straight-line method over the estimated useful lives of depreciable assets. Interest costs incurred in the construction or acquisition of property, plant and equipment are capitalized.

Lease Commitments

The Company and its subsidiaries lease certain manufacturing, warehousing and other facilities and equipment. The leases generally provide for the lessee to pay taxes, maintenance, insurance and certain other operating costs of the leased property. The leases on most of the properties contain renewal provisions.

In September 1994, the Company entered into a five-year operating lease agreement with two automatic annual renewal options, primarily for certain machinery and equipment. The total cost of the assets to be covered by the lease is limited to $200,000,000. The total cost of assets under lease as of December 31, 1994 was approximately $76,000,000. The lease provides for a substantial residual value guarantee by the Company at the end of the initial lease term and includes purchase and renewal options at fair market values. The table of future minimum operating lease payments which follows below excludes any payment related to the residual value guarantee which is due upon termination of the lease. The Company has the right to exercise a purchase option with respect to the leased equipment or the equipment can be sold to a third party. The Company expects the fair market value of the leased equipment, subject to the purchase option or sale to a third party, to substantially reduce or eliminate the Company's payment under the residual value guarantee. The Company is obligated to pay the difference between the maximum amount of the residual value guarantee and the fair market value of the equipment at the termination of the lease. At December 31, 1994 the maximum amount of the residual value guarantee relative to the assets under the lease at December 31, 1994 is approximately $50,900,000.

Following is a summary of future minimum payments under capitalized leases and under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1994:

(In thousands of dollars)	Capitalized Leases	Operating Leases
Year ending December 31,		
1995	$ 20,900	$20,100
1996	15,200	20,200
1997	23,400	16,800
1998	9,800	14,500
1999	6,800	11,500
Years subsequent to 1999	117,100	6,100
Total minimum lease payments	193,200	$89,200
Imputed interest	(76,300)	
Present value of minimum capitalized lease payments	116,900	
Current portion	(12,200)	
Long-term capitalized lease obligations	$104,700	

Assets recorded under capital leases are included in Property, Plant and Equipment as follows:

(In thousands of dollars)	December 31, 1994	1993
Land	$ 9,800	$ 1,200
Buildings, structures and improvements	72,900	39,000
Machinery and equipment	94,800	94,200
	177,500	134,400
Accumulated depreciation	(78,500)	(67,600)
	$ 99,000	$ 66,800

Rental expense for operating leases amounted to $20,200,000, $11,600,000 and $9,100,000 in 1994, 1993 and 1992, respectively.

THE KROGER CO. (DEC)

(In thousands of dollars)	1994	1993
Current liabilities		
Current portion of long-term debt	$ 7,926	$ 63,053
Current portion of obligations under capital leases	8,467	7,962
Accounts payable	1,425,612	1,357,532
Other current liabilities	952,963	822,284
Total current liabilities	2,394,968	2,250,831
Long-term debt	3,726,343	3,975,362
Obligations under capital leases	162,851	159,651
Deferred income taxes	172,690	182,891
Other long-term liabilities	404,506	371,371
Total Liabilities	6,861,358	6,940,106

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All dollar amounts are in thousands

Accounting Policies (In Part)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are computed principally using the straight-line method over the estimated useful lives of individual assets, composite group lives or the initial or remaining terms of leases. Buildings and land improvements are depreciated based on lives varying from 10 to 40 years and equipment depreciation is based on lives varying from three to 15 years. Leasehold improvements are amortized over their useful lives which vary from four to 25 years.

Leases

The Company operates primarily in leased facilities. Lease terms generally range from 10 to 25 years with options to renew at varying terms. Certain of the leases provide for contingent payments based upon a percent of sales.

Rent expense (under operating leases) consists of:

	1994	1993	1992
Minimum rentals	$288,499	$275,336	$270,763
Contingent payments	10,974	14,973	17,350
	$299,473	$290,309	$288,113

Assets recorded under capital leases consists of:

	1994	1993
Distribution and manufacturing facilities	$ 38,742	$ 38,742
Store facilities	203,142	195,372
Less accumulated amortization	(112,403)	(106,273)
	$ 129,481	$ 127,841

Minimum annual rentals for the five years subsequent to 1994 and in the aggregate are:

	Capital Leases	Operating Leases
1995	$ 29,110	$ 314,401
1996	28,384	302,465
1997	27,584	287,616
1998	26,935	274,571
1999	26,644	257,221
Thereafter	227,054	2,116,480
	365,711	$3,552,754
Less estimated executory costs included in capital leases	(24,982)	
Net minimum lease payments under capital leases	340,729	
Less amount representing interest	(169,411)	
Present value of net minimum lease payments under capital leases	$ 171,318	

THE MEAD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Depreciation and Depletion. For financial reporting purposes, depreciation, including amortization of capital leases and land improvements, is calculated using the straight-line method over the estimated useful lives of the properties. The rates used to determine timber depletion are based on projected quantities of timber available for cutting.

P. Leases

At December 31, 1994, future minimum annual rental commitments under noncancelable lease obligations are as follows:

(All dollar amounts in millions)	Capital Leases	Operating Leases
Year ending December 31:		
1995	$ 8.1	$ 27.2
1996	7.9	18.9
1997	7.8	14.2
1998	7.7	11.7
1999	7.8	8.6
Later years through 2026	228.0	35.3
Total minimum lease payments	$267.3	$115.9
Less amount representing interest and other	(118.4)	
Present value of net minimum lease payments	148.9	
Less current maturities of capital lease obligations	(.8)	
Capital lease obligations	$148.1	

Capital leases are for manufacturing facilities, equipment and warehouse and office space. Capital lease property included in property, plant and equipment is as follows:

December 31 (All dollar amounts in millions)	1994	1993
Land and buildings	$ 34.8	$ 34.8
Machinery and equipment	140.7	141.9
	175.5	176.7
Less accumulated amortization	(84.6)	(79.0)
	$ 90.9	$ 97.7

The majority of rent expense is for operating leases having terms of up to 25 years which are for office, warehouse and manufacturing facilities and delivery, manufacturing and computer equipment. A number of these leases have renewal options. Rent expense was $52.8 million, $48.5 million and $51.9 million in 1994, 1993 and 1992, respectively.

The Company has additional subleases of property recorded under capital leases. Total additional rentals to be received in future years are approximately $16.8 million at December 31, 1994.

Lessee—Operating Leases

THE DIAL CORP (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

N. Leases

Certain retail facilities, plants, offices and equipment are leased. The leases expire in periods ranging generally from one to 27 years and some provide for renewal options ranging from one to 37 years. Leases which expire are generally renewed or replaced by similar leases.

At December 31, 1994, Dial's future minimum rental payments and related sublease rentals receivable with respect to non-cancellable operating leases with terms in excess of one year were as follows:

(000 omitted)	Rental Payments	Rentals Receivable Under Subleases
1995	$ 62,442	$ 3,402
1996	47,716	3,319
1997	36,331	3,025
1998	31,547	1,809
1999	26,422	1,243
Thereafter	182,461	847
Total	$ 386,919	$ 13,645

Excluding the cruise ships discussed below, at the end of the lease terms Dial has options to purchase certain leased assets for an aggregate purchase price of $26,100,000. If the purchase options are not exercised, Dial will make residual guarantee payments aggregating $18,500,000 which are refundable to the extent that the lessors' subsequent sales prices exceed certain levels.

As discussed in Note B of Notes to Consolidated Financial Statements, in February 1995 Dial purchased a cruise ship previously under a lease agreement and has entered into a four-year charter agreement to lease the ship to a European operator. In addition, in April 1994 Dial notified the lessor of its intention to purchase Dial's other leased cruise ship when the current lease agreement expires in October 1995. The table above includes $10,200,000 of rental payments due in 1995 related to these cruise ships.

Information regarding net operating lease rentals for the years ended December 31 is as follows:

(000 omitted)	1994	1993	1992
Minimum rentals	$104,113	$113,324	$143,863
Contingent rentals	7,463	4,297	12,530
Sublease rentals	(2,010)	(23,204)	(43,630)
Totals, net[1]	$109,566	$ 94,417	$112,763

[1] Includes rentals of $10,800,000, $9,200,000 and $10,300,000 for 1994, 1993 and 1992, respectively, for the two cruise ships being purchased in 1995. Also includes net rentals of $7,700,000 and $9,419,000, for 1993 and 1992, respectively, for Dial's corporate headquarters building which was leased from a joint venture up to December 1993, when Dial acquired the remaining interest in the joint venture.

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment.

Dial is a 50% partner in an unconsolidated joint venture which owns a resort and conference hotel in Oakbrook, Illinois. Dial has leased the hotel through September 1, 2002, and the future rental payments are included in the table of future minimum rental payments. In addition, Dial and a third party have agreed to lend the joint venture $10,000,000 and $5,000,000, respectively, at 8¾% on July 1, 1997 to be secured by a second mortgage on the property to prepay $15,000,000 of the joint venture's non-recourse first mortgage obligation. If the joint venture is unable to repay or refinance the first mortgage note, Dial has an option to purchase the note from the lender on September 30, 2002, its due date, at its then unpaid principal amount which is expected to be approximately $24,650,000. If the purchase option is not exercised, Dial will make residual guarantee payments equal to the greater of $5,000,000 or 150% of any shortfall in fair market value of the hotel compared to the unpaid principal amount of the note on such date. Dial accounts for its interest in the joint venture using the equity method.

JACOBS ENGINEERING GROUP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingencies

The Company leases certain of its facilities and equipment under operating leases with net aggregate future lease payments of $111,042,100 at September 30, 1994 payable as follows:

Year Ending September 30,	
1995	$ 24,307,900
1996	21,519,200
1997	20,046,100
1998	13,586,100
1999	10,805,300
Thereafter	28,703,100
	118,967,700
Less — Amounts Representing Sublease Income	7,925,600
	$ 111,042,100

Rent expense for the years ended September 30, 1994, 1993, and 1992 was approximately $22,235,000, $19,338,000 and $17,948,000, respectively, and was offset by sublease income of approximately $1,085,000, $1,547,000, and $1,464,000, respectively.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Leases

The Company leases certain manufacturing equipment and office and warehouse facilities under operating leases, some of which include cost escalation clauses, expiring on various dates through 2014. Total rental expense charged to operations was $54 million in 1994, $42 million in 1993, and $44 million in 1992. At December 31, 1994, the minimum future rental commitments under noncancellable leases payable over the remaining lives of the leases are:

Period	*(In millions of dollars)*	Mimimum Future Rental Commitments
1995		$ 38
1996		32
1997		20
1998		11
1999		6
2000 through 2014		27
		$ 134

The minimum future rental commitments reflected in the above table include approximately $4 million per year for the lease of the Company's corporate headquarters facility in Toledo, Ohio through 1996. The Company is currently negotiating the lease of a new headquarters facility which would result in an operating lease beginning in late 1996, which is not reflected above. This operating lease would result in future rental commitments of approximately $12 million per year through 2006, $8 million per year through 2015, and, upon renewal, $2 million per year through 2020.

TENNECO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Commitments and Contingencies

Lease Commitments

Tenneco holds certain of its facilities and equipment under long-term leases. The minimum rental commitments under non-cancelable operating leases with lease terms in excess of one year are $141 million, $124 million, $120 million, $119 million and $110 million for the years 1995, 1996, 1997, 1998 and 1999, respectively, and $968 million for subsequent years. Of these amounts, $79 million for 1995, $81 million for 1996, $84 million for 1997, $93 million for 1998, $86 million for 1999 and $781 million for subsequent years are lease payment commitments to GECC, John Hancock and Metropolitan Life for assets purchased from Georgia-Pacific in January 1991 and leased to Tenneco. Commitments under capital leases were not significant to the accompanying financial statements. Total rental expense for continuing operations for the years 1994, 1993 and 1992, was $197 million, $200 million and $209 million, respectively, including minimum rentals under non-cancelable operating leases for $189 million, $196 million and $206 million for the corresponding periods.

WESTVACO CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

I. Leasing Activities and Other Commitments

The company leases a variety of assets for use in its operations. Leases for administrative offices, converting plants and storage facilities generally contain options which allow the company to extend lease terms for periods up to 25 years, or to purchase the properties. Certain leases provide for escalation of the lease payments as maintenance costs and taxes increase.

The company has no significant capital lease liabilities. Minimum rental payments under operating leases that have noncancellable lease terms in excess of 12 months, are as follows:

In thousands	Operating leases
1995	$ 20,705
1996	15,934
1997	12,455
1998	9,877
1999	7,774
Later years	51,734
Minimum lease payments	$118,479

Rental expense under operating leases was $30,657,000 in 1994 (1993 — $28,972,000, 1992 — $26,115,000).

At October 31, 1994, commitments required to complete currently authorized capital projects are $237 million.

Lessor Leases

DANA CORPORATION (DEC)

in millions	1993	1994
ASSETS		
Cash	$ 49.5	$ 48.2
Marketable securities, at cost which approximates market	28.1	64.0
Accounts receivable, less allowance for doubtful accounts of $16.8 — 1993 and $19.6 — 1994	790.5	960.4
Inventories		
Raw materials	141.8	186.4
Work in process and finished goods	508.1	553.8
Total inventories	649.9	740.2
Lease financing	849.3	931.0
Investments and other assets	846.3	793.2
Deferred income tax benefits	276.2	226.6
Property, plant and equipment, net	1,142.1	1,347.2
Total Assets	$4,631.9	$5,110.8

NOTES TO FINANCIAL STATEMENTS
in millions

Lease Financing

Lease financing consists of direct financing leases, leveraged leases and equipment on operating leases. Income on direct financing 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 recogized 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 at cost, net of accumulated depreciation. Income from operating leases is recognized ratably over the term of the leases.

Lease financing consisted of the following components:

	December 31	
	1993	1994
Direct financing leases	$574.0	$544.5
Leveraged leases	283.7	393.9
Property on operating leases, net of accumulated depreciation	29.9	33.4
Allowance for credit losses	(38.3)	(40.8)
	$849.3	$931.0

The components of the net investment in direct financing leases are as follows:

	December 31 1993	1994
Total minimum lease payments	$622.7	$600.7
Residual values	83.2	70.3
Deferred initial direct costs	9.3	10.3
	715.2	681.3
Less: Unearned income	141.2	136.8
	$574.0	$544.5

The following is a schedule by year of total minimum lease payments receivable on direct financing leases as of December 31, 1994:

Year Ending December 31:	
1995	$248.8
1996	155.8
1997	82.5
1998	44.1
1999	24.7
Later years	44.8
Total minimum lease payments receivable	$600.7

The components of the net investment in leveraged leases are as follows:

	December 31 1993	1994
Rentals receivable	$ 2,884.3	$ 4,115.0
Residual values	252.2	301.4
Non recourse debt service	(2,401.4)	(3,378.9)
Unearned income	(439.4)	(629.9)
Deferred investment tax credit	(12.0)	(13.7)
	283.7	393.9
Less: Deferred taxes arising from leveraged leases	119.0	157.6
	$164.7	$236.3

FLEMING COMPANIES, INC. (DEC)

(In thousands)	1994	1993
Total current assets	$ 1,820,081	$ 1,360,657
Investments and notes receivable	402,603	309,237
Investment in direct financing leases	230,357	235,263

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lease Agreements (In Part)

Direct financing leases: The company leases retail store facilities for sublease to customers with terms generally ranging from 5 to 25 years. Most leases provide for a contingent rental based on sales performance in excess of specified minimums. Sublease rentals are generally higher than the rental paid. The leases and subleases usually contain provisions for one to four renewal options of two to five years.

The following table shows the future minimum rentals receivable under direct financing leases and future minimum lease payment obligations under capital leases in effect at December 31, 1994:

(In thousands) Years	Lease Rentals Receivable	Lease Obligations
1995	$ 43,306	$ 29,234
1996	41,964	29,294
1997	40,136	29,357
1998	37,415	29,339
1999	33,247	29,314
Later	273,566	258,304
Total minimum lease payments	469,634	404,842
Less estimated executory costs	1,948	1,941
Net minimum lease payments	467,686	402,901
Less unearned income	222,848	—
Less interest	—	181,351
Present value of net minimum lease payments	244,838	221,550
Less current portion	14,841	8,317
Long-term portion	$230,357	$213,233

Contingent rental income and contingent rental expense is not material.

WHIRLPOOL CORPORATION (DEC)

(millions of dollars)	1994	1993
Current Assets		
Cash and equivalents	$ 72	$ 88
Trade receivables, less allowances of $38 in 1994 and $36 in 1993	1,001	866
Financing receivables and leases, less allowances	866	814
Inventories	838	760
Prepaid expenses and other	197	102
Deferred income taxes	104	78
Total Current Assets	3,078	2,708
Other Assets		
Investment in affiliated companies	370	320
Investment in WFC	—	—
Financing receivables and leases, less allowances	717	793
Intangibles, net	730	725
Deferred income taxes	171	127
Other	149	55
	2,137	2,020
Property, Plant and Equipment		
Land	73	69
Buildings	610	586
Machinery and equipment	2,418	2,181
Accumulated depreciation	(1,661)	(1,517)
	1,440	1,319
Total Assets	$6,655	$6,047

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Financing Receivables and Leases: Interest and discount charges are recognized in revenues using the effective yield method. Lease income is recorded in decreasing amounts over the term of the lease contract, resulting in a level rate of return on the net investment in the lease. Origination fees and related costs are deferred and amortized as yield adjustments over the life of the related receivable or lease.

The allowance for losses is maintained at estimated amounts necessary to cover losses on all finance and leasing receivables based on management's assessment of various factors including loss experience and review of problem accounts.

In May 1993, the Financial Accounting Standards Board issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan," which requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loans' effective interest rate. The new rules must be adopted on a prospective basis no later than 1995. Adoption of the new rules will not have a material effect on the Company's net earnings or financial position.

Note 3: Financing Receivables and Leases

December 31 *(millions of dollars)*	1994	1993
Financing receivables	$1,251	$1,250
Leveraged leases	107	108
Direct financing leases	11	28
Other operating leases and investments	227	250
	1,596	1,636
Unearned income	(53)	(69)
Estimated residual value	86	89
Allowances for doubtful accounts	(46)	(49)
Total financing receivables and leases	1,583	1,607
Less current portion	866	814
Long-term portion	$ 717	$ 793

Deferred income tax liabilities relating to leveraged and direct financing leases were $113 million at December 31, 1994 and $105 million at December 31, 1993.

Financing receivables and leases at December 31, 1994 include $455 million due from household appliance and electronics dealers and $465 million resulting from aerospace financing transactions. These amounts are generally secured by the assets financed. Non-earning finance receivables and operating leases totaled $50 million at December 31, 1994 and $131 million at December 31, 1993.

Financing receivables and minimum lease payments receivable at December 31, 1994 mature contractually as follows:

(millions of dollars)	Financing Receivables	Leveraged and Direct Financing Lease
1995	$ 882	$ 9
1996	136	6
1997	182	3
1998	26	3
1999	1	2
Thereafter	24	95
	$1,251	$118

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			
	1994	**1993**	**1992**	**1991**
Deferred income taxes	424	419	451	462
Minority interest	138	137	140	138
Liabilities of nonhomogeneous operations	16	24	22	24
Employee Liabilities				
Benefits	256	218	156	47
Minimum pension liability	143	137	122	142
Other pension accruals	110	120	101	97
Deferred compensation, bonus, etc.	56	51	48	47
Other—described	16	10	9	14
Estimated losses or expenses				
Environmental	54	39	27	24
Discontinued operations	47	44	38	31
Insurance	22	20	18	18
Warranties	12	9	10	8
Other—described	44	50	39	53
Deferred credits				
Deferred profit on sales	19	16	14	23
Payments received prior to rendering service	4	8	10	9
Other—described	16	18	8	9

Deferred Income Taxes

CHEVRON CORPORATION (DEC)

Millions of Dollars	1994	1993
Total Current Liabilities	$ 9,392	$10,606
Long-term debt and capital lease obligations	4,128	4,082
Deferred credits and other non-current obligations	2,043	1,677
Non-current deferred income taxes	2,674	2,916
Accruals for employee benefit plans	1,574	1,458
Total Liabilities	19,811	20,739

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Millions of dollars

Note 13 (In Part): Taxes

The company records its deferred taxes on a tax jurisdiction basis and classifies those net amounts as current or non-current based on the balance sheet classification of the related assets or liabilities.

At December 31, 1994 and 1993, deferred taxes were classified in the consolidated balance sheet, as follows:

	At December 31	
	1994	1993
Prepaid expenses and other current assets	$ (112)	$ (495)
Deferred charges and other assets	(148)	(146)
Federal and other taxes on income	18	27
Non-current deferred income taxes	2,674	2,916
Total deferred taxes, net	$2,432	$2,302

The reported deferred tax balances are composed of the following deferred tax liabilities (assets):

	At December 31	
	1994	1993
Properties, plant and equipment	$4,451	$4,201
Inventory	240	293
Miscellaneous	254	237
Deferred tax liabilities	4,945	4,731
Abandonment/environmental reserves	(1,066)	(910)
Employee benefits	(564)	(535)
AMT/other tax credits	(711)	(486)
Other accrued liabilities	(299)	(472)
Miscellaneous	(523)	(523)
Deferred tax assets	(3,163)	(2,926)
Deferred tax assets valuation allowance	650	497
Total deferred taxes, net	$2,432	$2,302

HANDY & HARMAN (DEC)

	1994	1993
Total current liabilities	$153,593,000	$114,534,000
Long-term debt, less current maturities	131,750,000	188,750,000
Deferred income taxes	13,551,000	11,276,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1994 and 1993 follow (in thousands):

	1994		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Liability
Prepaid retirement costs		$16,610	($16,610)
Property, plant and equipment		9,229	(9,229)
Restructuring and discontinued operations	$6,797	—	6,797
Foreign tax credit carryforwards	495	—	495
All other	7,073	2,077	4,996
Total	$14,365	$27,916	($13,551)

	1993		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Liability
Prepaid retirement costs		$15,270	($15,270)
Property, plant and equipment		9,486	(9,486)
Restructuring and discontinued operations	$7,355		7,355
Foreign tax credit carryforwards	1,184		1,184
Investment tax credit carryforwards	1,502		1,502
All other	4,425	986	3,439
Total	$14,466	$25,742	($11,276)

Due to the Company's current taxable income and expected taxable income, management believes it is more likely than not that the Company will realize the benefit of the existing deferred tax asset at December 31, 1994.

Principal items making up the change in the net deferred tax liability follows (in thousands):

	1994	1993	1992
Prepaid retirement costs	$ 1,340	$ 1,643	$ 1,655
Property, plant and equipment	(257)	(1,372)	(1,360)
Restructuring	558	2,510	4,191
Foreign tax credit carryforwards	689	(919)	(265)
Investment tax credit carryforwards	1,502	—	(33)
Effect of 1993 income tax rate change on deferred taxes	—	275	—
Other	(1,557)	1,458	(566)
	$ 2,275	$ 3,595	$ 3,622

THE TIMES MIRROR COMPANY (DEC)

(In thousands of dollars)	1994	1993
Current Liabilities		
Accounts payable	$ 362,139	$ 380,005
Short-term debt	645,870	336,356
Accrued liabilities	43,741	94,436
Employees' compensation	108,673	97,226
Deferred income taxes	36,681	
Unearned income	201,162	177,738
Other current liabilities	88,091	57,405
Total current liabilities	1,486,357	1,143,166
Long-term debt	246,462	795,454
Deferred income taxes	131,163	196,869
Postretirement benefits	249,200	250,894
Other liabilities	195,076	214,239
	2,308,258	2,600,622

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Income Taxes

The tax effect of temporary differences results in deferred income tax assets (liabilities) and balance sheet classifications as follows (in thousands):

	December 31	
Temporary Differences	1994	1993
Depreciation and other property, plant and equipment differences	$(199,727)	$(183,781)
Retirement and health benefits	(118,746)	(137,361)
Postretirement benefits	112,028	109,215
Valuation allowances	81,751	84,986
Deferred gain on sale of assets	(84,901)	(84,901)
Other employee benefits	43,473	37,533
State and local income taxes	19,444	19,400
Restructuring charges	15,424	21,785
Intangible asset differences	(36,711)	(26,498)
Other deferred tax assets	32,991	31,306
Other deferred tax liabilities	(32,870)	(27,588)
	$(167,844)	$(155,904)
Balance Sheet Classification		
Current deferred tax assets		$ 40,965
Current deferred tax liabilities	$ (36,681)	
Noncurrent deferred tax liabilities	(131,163)	(196,869)
	$(167,844)	$(155,904)

Minority Interests

ALUMINUM COMPANY OF AMERICA (DEC)

(in millions)	1994	1993
Total current liabilities	$2,553.5	$2,092.9
Long-term debt, less amount due within one year	1,029.8	1,432.5
Accrued postretirement benefits	1,850.5	1,845.2
Other noncurrent liabilities and deferred credits	1,011.8	1,022.2
Deferred income taxes	220.6	231.1
Total liabilities	6,666.2	6,623.9
Minority Interests	1,687.8	1,389.2

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

K. Minority Interests

The following table summarizes the minority shareholders' interests in the equity of consolidated subsidiaries.

December 31	1994	1993
Alcoa of Australia	$ 588.1	$ 616.1
Alcoa International Holdings Company (AIHC)	200.0	250.0
Alcoa Aluminio	340.7	164.9
Alcoa Brazil Holdings Company (ABHC)	—	102.1
Alcoa Alumina and Chemicals	327.9	—
Other majority-owned companies	231.1	256.1
	$1,687.8	$1,389.2

AIHC's minority interests consist of three series of preferred stock with a weighted average annual dividend rate of 4.2% for 1994, 5.1% for 1993 and 6.7% for 1992.

During 1994, the minority shareholder of ABHC exchanged its interest in ABHC for common shares of Alcoa Aluminio. Additionally, Alcoa Aluminio's minority shareholder converted $214.7 of preferred stock to common stock.

Alcoa Alumina and Chemicals represents the primary entity formed by the Alcoa/WMC transaction.

BAUSCH & LOMB INCORPORATED (DEC)

Dollar Amounts In Thousands	1994	1993
Current Liabilities		
Notes payable	$ 252,783	$ 222,642
Current portion of long-term debt	47,788	21,935
Accounts payable	71,718	85,306
Accrued compensation	71,742	66,077
Accrued liabilities	216,956	249,947
Federal and foreign income taxes	15,551	68,882
	676,538	714,789
Long-Term Debt, less current portion	289,504	320,953
Other Long-Term Liabilities	149,094	128,328
Minority Interest	428,208	421,031
Total Liabilities	1,543,344	1,585,101

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Minority Interest

In December 1993, four wholly-owned subsidiaries of the Company contributed operating and financial assets with an estimated market value of $1,006,000,000 to Wilmington Partners L.P., a newly formed Delaware limited partnership (the "Partnership"), in exchange for an aggregate 72% general and limited partnership interest in the Partnership. Additionally, an outside investor contributed $400,000,000 in cash to the Partnership in exchange for a 28% limited partnership interest. Wilmington Management Corp., a wholly-owned subsidiary of the Company, manages the activities of Wilmington Partners L.P. and has fiduciary responsibilities to the Partnership. This transaction did not result in any gain or loss for the Company.

The Partnership is a separate legal entity from the Company. The Partnership's purpose is to own and manage a portfolio of assets. Those assets include portions of the Company's biomedical operations at Charles River Laboratories, Inc. (including small research animals, bioprocessing and ovum-derived vaccine products), those used for the manufacture and sale of rigid gas permeable contact lens materials and lens care solutions at Polymer Technology Corporation, cash and cash equivalents, a long-term note guaranteed by the Company and certain floating rate demand notes due from certain of the Company's subsidiaries. At December 31, 1994 and December 25, 1993, the Company had $470,900,000 and $400,000,000 of borrowings from the Partnership, respectively, which were used to reduce U.S. short-term borrowings. For financial reporting purposes, the assets, liabilities and earnings of the Partnership entities have continued to be included in the Company's consolidated financial statements. The outside investor's limited partnership interest in the Partnership has been recorded as minority interest.

GUILFORD MILLS, INC. (SEP)

(In thousands)	1994	1993
Total current liabilities	$ 110,804	$ 99,293
Long-term debt	164,611	146,736
Deferred income taxes	16,209	7,738
Other deferred liabilities	25,468	24,585
Minority interest	4,186	—
Total liabilities	321,278	278,352

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 Grupo Ambar, S.A. de C.V. At October 2, 1994 the Company owned 75% of the capital stock of Grupo Ambar.

2. Acquisition of Grupo Ambar, S.A. de C.V. and Subsidiaries

On August 18, 1994, the Company purchased 55% of the outstanding capital stock of Grupo Ambar, S.A. de C.V. and Subsidiaries (Grupo). Additional consideration of up to $3,700,000 may be paid based on Grupo's earnings through December 31, 1995. The acquisiton increased the Company's ownership in Grupo to 75%. Grupo is a leading manufacturer of knit textile fabrics in Mexico.

The Company recorded its equity in the earnings of Grupo through August 18, 1994, and the consolidated statement of income for fiscal 1994 includes the operating results of Grupo thereafter. The minority stockholders' 25% proportionate interest in Grupo's net income after August 18, 1994 is included in other expense in the 1994 statement of income.

SHAW INDUSTRIES, INC. (DEC)

	1994	1993
Total current liabilities	$304,891,000	$372,888,000
Long-Term Debt, less current maturities	612,061,000	317,914,000
Deferred Income Taxes	45,972,000	29,437,000
Other Liabilities	12,179,000	10,197,000
Minority Interest in Consolidated Subsidiary	9,250,000	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Acquisitions

On May 31, 1994, the Company entered into an agreement to form a joint venture with Grupo Industrial Alfa, S.A. de C.V. of Monterrey, Mexico, for the manufacture, distribution and marketing of carpets, rugs and related products in Mexico and South America. The Company acquired a 51 percent interest in Terza, S.A. de C.V. and, accordingly, the subsidiary is included in consolidation at December 31, 1994 and the results of operations of Terza are included in the accompanying fnancial statements since May 31, 1994.

Employee Related Liabilities

ACME METALS INCORPORATED (DEC)

(in thousands)	1994	1993
Total current liabilities	$ 81,391	$ 77,197
Long-term liabilities		
Long-term debt	265,055	49,333
Other long-term liabilities	10,012	10,543
Postretirement benefits other than pensions	83,867	82,630
Retirement benefit plans	18,727	30,963
Total long-term liabilities	377,661	173,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Benefit Plans (In Part)

The following table sets forth the funded status of the Company's defined benefit retirement plans and amounts recognized in the balance sheet.

	1994	
(in thousands)	Underfunded Plans	Overfunded Plans
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $165,271 in 1994 and $182,993 in 1993	$174,308	$ 8,626
Effect of increase in compensation levels	4,119	655
Projected benefit obligation for service rendered to date	178,427	9,281
Plan assets at fair value, primarily U.S. government bonds and notes and common stock of publicly traded companies	155,581	9,779
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	48,510	1,554
Prior service cost not yet recognized in net periodic pension cost	5,334	0
Unrecognized net asset at December 30, 1985 being recognized over 15 years	(11,038)	(518)
Minimum pension liability adjustment	(38,687)	
Prepaid (accrued) pension cost	$(18,727)	$ 1,534

In accordance with FAS No. 87, "Employers' Accounting for Pensions," the Company has recorded an adjustment, net of applicable income taxes, as shown in the table above, to recognize a minimum pension liability relating to certain under-funded pension plans.

Postretirement Benefits Other Than Pensions (In Part)

The Company and its subsidiaries sponsor several unfunded defined benefit postretirement plans that provide medical, dental, and life insurance for retirees and eligible dependents.

The following table sets forth the plans' combined status at December 25, 1994 and December 26, 1993:

(in thousands)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 56,859	$ 55,687
Fully eligible active plan participants	10,716	9,675
Other active plan participants	24,332	25,619
	91,907	90,981
Unrecognized net gain and prior service cost	(1,497)	(3,036)
Accrued postretirement benefit cost	$ 90,410	$ 87,945

The accrued postretirement obligation was determined by application of the terms of medical, dental, and life insurance plans, together with relevant actuarial assumptions and health care cost trend rates projected at annual rates ranging ratably from 12 percent in 1992 to 5 percent through 1999 and beyond. The effect of a 1 percent annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation by approximately $11.2 million; the net periodic postretirement benefit costs would increase by approximately $2.1 million. The obligation for postretirement benefits as of December 25, 1994 was determined using an 8.5 percent discount rate, as compared to the 7.5 percent discount rate used for the year ended December 26, 1993.

Accrued Expenses:

Included in the Consolidated Balance Sheets caption *Accrued expenses* are the following:

(in thousands)	1994	1993
Accrued salaries and wages	$ 15,650	$ 16,235
Accrued postretirement benefits other than pensions	6,543	5,315
Accrued taxes other than income taxes	5,283	4,970
Accrued interest	6,675	837
Other current liabilities	8,567	6,732
	$ 42,718	$ 34,089

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

(In millions)	1994	1993
Total current liabilities	$1,669.0	$1,815.6
Postretirement Benefits	624.3	607.1
Long-Term Debt	3,078.4	3,031.7
Deferred Income Taxes	1,258.2	1,170.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Retirement Benefits

Postretirement Benefits

The company 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. Bargaining unit employees generally become eligible for retiree health care benefits after reaching age 55 with 10-15 years of service or after reaching age 65.

The following table sets forth the accumulated postretirement benefit obligation (APBO) and the total postretirement benefit liability for all single-employer defined benefit plans at December 31 (in millions):

	1994	1993
Retirees	$ 186.6	$ 191.7
Fully eligible active plan participants	144.4	139.0
Other active plan participants	94.1	232.6
Accumulated postretirement benefit obligation (APBO)	425.1	563.3
Unrecognized prior service benefits	163.1	109.8
Unrecognized net actuarial gains/(losses)	51.3	(51.2)
Total postretirement benefit liability	$ 639.5	$ 621.9

As of December 31, 1994 and 1993, $624.3 million and $607.1 million of this obligation was classified as a long-term liability and $15.2 million and $14.8 million was classified as a current liability, respectively.

BINKS MANUFACTURING COMPANY (NOV)

	1994	1993
Total current liabilities	$56,757,592	$53,334,552
Deferred compensation	7,833,384	7,379,826
Deferred income taxes	430,845	380,559
Long-term debt, less current maturities	38,114,463	34,136,500
Total liabilities	103,136,284	95,231,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Employee Benefits

The Company and certain subsidiaries maintain profit sharing plans covering most of their employees. Additionally, the Company maintains a deferred compensation plan for officers and key employees. The total expense related to these plans was $781,000 in 1994, $1,078,000 in 1993, and $640,000 in 1992.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

(dollars in thousands)	1994	1993
Total current liabilities	$108,647	$63,666
Long-term debt	70,215	32,696
Deferred income taxes	1,737	1,763
Unfunded accrued pension cost	5,035	4,226
Termination indemnities	7,715	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Incentive and Retirement Plans

Termination Indemnities

Under Italian law, the Company accrues one month equivalent wages for each year of employee service. Such liability, which is unfunded, must be paid upon termination of employment.

CRANE CO. (DEC)

(In thousands)	1994	1993
Total Current Liabilities	$244,295	$271,683
Long-term Debt	331,289	105,557
Other Liabilities	20,159	20,631
Accrued Postretirement Benefits	43,066	42,570
Accrued Pension Liabilities	8,804	6,767
Deferred Income Taxes	32,440	6,138

NOTES TO FINANCIAL STATEMENTS

Postretirement Benefits (In Part)

Postretirement health care and life insurance benefits are provided for certain domestic and foreign employees who meet minimum age and service requirements. The company does not pre-fund these benefits and has the right to modify or terminate the plan.

(In thousands) December 31,	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$23,059	$24,807
Fully-eligible active plan participants	1,983	1,973
Other active plan participants	5,934	6,669
Total	30,976	33,449
Unrecognized net gain	12,090	9,121
Accrued postretirement benefit	$43,066	$42,570
Net periodic cost:		
Service cost-benefits earned during the period	$ 722	$ 850
Interest cost on accumulated benefit obligation	2,303	2,768
Amortization of gain	(448)	(182)
Net cost	2,577	3,436
Benefits paid	(2,411)	(2,482)
Burks Pumps acquisition	—	2,218
Mark Controls acquisition	330	—
Accrued postretirement benefit—beginning of year	42,570	39,398
Accrued postretirement benefit—end of year	$43,066	$42,570

JOSTENS INC. (JUN)

(Dollars in thousands)	1994	1993
Total Current Liabilities	$223,394	$216,312
Long-Term Debt—Less Current Maturities	54,267	54,843
Deferred Income Taxes	5,943	10,661
Accrued Pension Costs	19,291	8,901
Other Non-Current Liabilities	10,355	7,015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Benefit Plans (In Part)

The company's noncontributory pension plans cover substantially all employees. The defined benefits provided under the plans are based on years of service and/or compensation levels. Annually, the company funds the actuarially determined costs of these plans, including the amortization of prior service costs over 30 years. Service cost represents the present value of the increase in future benefits resulting from the current year's service. The projected benefit obligation is the present value of benefits, assuming future compensation levels, for services rendered to date. During 1994, the company recorded an adjustment of $8.8 million to recognize the minimum pension liability required by the SFAS No. 87, Employers' Accounting for Pensions. The adjustment, which had no effect on 1994 income, was offset by recording an intangible asset in the amount of $5.5 million and a reduction in shareholders' investment of $2 million after tax, as required by SFAS No. 87. In 1986, the company established a supplemental executive retirement plan funded by life insurance on the plan participants. While the plan is designed to be self-fund-

ing, based upon the life insurance proceeds purchased on behalf of the plan participants, this plan meets the guidelines of SFAS No. 87, resulting in a liability of $8.4 million and $8 million as of June 30, 1994 and 1993, respectively.

The components of pension cost and the funded status were as follows:

(Dollars in thousands)	1994	1993	1992
Service cost	$ 3,254	$ 3,209	$ 3,551
Interest on projected benefit obligation	6,925	6,083	5,797
Return on assets — actual loss (gain)	326	(6,164)	(6,964)
—deferred	(6,978)	93	1,273
Amortization	(359)	(527)	(6)
Pension Cost	$ 3,168	$2,694	$3,651

	June 30, 1994	
	Plans whose assets exceed accrued benefits	Plans whose accrued benefits exceed assets
Vested benefit obligation	$ 34,743	$ 52,664
Accumulated benefit obligation	37,795	54,467
Projected benefit obligation	45,736	55,839
Fair value of plan assets	49,304	36,069
Plan assets in excess of (less than) projected benefit obligation	$ 3,568	$(19,770)
Unrecognized net (gain) loss	(6,951)	7,075
Unrecognized prior service cost	8,094	5,680
Unrecognized net (asset) at transition	(5,679)	(2,523)
Adjustment required to recognize minimum liability	—	(8,785)
Net Pension Asset (Liability) in Consolidated Balance Sheets	$ (968)	$(18,323)

	June 30, 1993	
	Plans whose assets exceed accrued benefits	Plans whose accrued benefits exceed assets
Vested benefit obligation	$ 64,710	$ 11,586
Accumulated benefit obligation	68,500	12,251
Projected benefit obligation	77,548	13,458
Fair value of plan assets	86,725	—
Plan assets in excess of (less than) projected benefit obligation	$ 9,177	$(13,458)
Unrecognized net (gain)	(11,052)	(397)
Unrecognized prior service cost	13,899	2,027
Unrecognized net (asset) liability at transition	(9,259)	162
Net Pension Asset (Liability) in Consolidated Balance Sheets	$ 2,765	$(11,666)

PET INCORPORATED (JUN)

(in millions)	1994	1993
Total current liabilities	$256.5	$272.0
Long-term debt	486.1	520.1
Long-term employee benefit obligations	35.3	31.2
Deferred income taxes	35.3	1.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Pension and Other Employee Benefits

The Company's postretirement and postemployment health care and life plans currently are not funded. The status of the plans at June 30 was as follows (in millions):

	1994	1993
Actuarial present value of accumulated postretirement and postemployment benefit obligations:		
Retirees	$25.9	$24.0
Fully eligible active plan participants	2.7	1.8
Other active plan participants	4.9	4.5
Accrued defined contribution postretirement benefits	2.5	1.7
Accrued postemployment benefits	3.2	—
	39.2	32.0
Unrecognized net loss from experience	(3.9)	(.8)
Long-term employee benefit obligations	$35.3	$31.2

ROHM AND HAAS COMPANY (DEC)

(Millions of dollars)	1994	1993
Total current liabilities	$932	$701
Long-term debt	629	690
Deferred income taxes	92	87
Employee benefits — Note 8	377	353
Other liabilities	150	181
Minority interest	61	71

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Benefits

(Millions of dollars)	1994	1993
Postretirement health care and life insurance benefits	$300	$280
Postemployment benefits	20	29
Unfunded executive pension plan (see Note 7)	41	31
Unfunded foreign pension liabilities (see Note 7)	16	13
Total	$377	$353

Effective January 1, 1993, the company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This accounting standard requires the recognition of the liability for future costs of compensation and benefits which will be paid to employees who are on disability leave. The decrease in 1994 was a result of a regulatory change whereby Medicare became the primary insurer for certain disabled persons and an increase in the discount rate from 6% to 8% due to higher interest rates.

The company provides health care and life insurance benefits for substantially all of its domestic retired employees, for which the company is self-insured. In general, employees who have at least 15 years of service and are 55 years of age are eligible for continuing health and life insurance coverage. Retirees contribute toward the cost of such coverage.

The status of the plans at year end was as follows:

(Millions of dollars)	1994	1993
Accumulated postretirement benefit obligation		
Retirees	$182	$185
Fully eligible active plan participants	76	96
Other active plan participants	69	76
Total accumulated postretirement benefit obligation	$327	$357
Unrecognized prior service cost	(1)	(1)
Unrecognized losses	(9)	(58)
Total accrued postretirement benefit obligation	$317	$298

The accrued postretirement benefit obligation is recorded in "accrued liabilities" (current) and "employee benefits" (non-current).

Environmental Costs

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

(In Thousands)	*1994*	*1993*
Total current liabilities	$1,178,989	$924,456
Deferred Items:		
Accrued environmental and landfill costs	529,501	631,690
Deferred income taxes	78,678	—
Other	159,478	128,255
Total deferred items	767,657	759,945
Long-term debt, net of current portion	713,680	333,689
Convertible subordinated debentures	744,949	744,949

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Deferred items.

Accrued environmental and landfill costs—

Accrued environmental and landfill costs includes the non-current portion of accruals associated with obligations for closure and post-closure of the Company's operating and closed landfills, corrective actions and remediation at certain of these landfill facilities and corrective actions at Superfund sites. The Company, based on input from its engineers, estimates its future cost requirements for closure and post-closure monitoring and maintenance for solid waste operating landfills in the United States based on its interpretation of the technical standards of the U.S. Environmental Protection Agency's Subtitle D regulations and the proposed air emissions standards under the Clean Air Act as they are being applied on a state-by-state basis. Closure and post-closure monitoring and maintenance costs represent the costs related to cash expenditures yet to be incurred when a landfill facility ceases to accept waste and closes. Accruals for closure and post-closure monitoring and maintenance requirements in the U.S. consider final capping of the site, site inspections, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred during the period after the facility closes. Certain of these environmental costs, principally capping and methane gas control costs, are also incurred during the operating life of the site in accordance with the landfill operation requirements of Subtitle D and the proposed air emissions standards. Future cost requirements for closure and post-closure monitoring and maintenance of foreign operating landfills are determined based on the country or local landfill regulations governing the facility. The Company typically provides accruals for these costs as the remaining permitted airspace of such facilities is consumed. Engineering reviews of the future cost requirements for closure and post-closure monitoring and maintenance for the Company's operating landfills are performed at least annually and are the basis upon which the Company's estimates of these future costs and the related accrual rates are revised.

As overall program of management of closed solid waste landfills, principally in North America, previously owned or operated by the Company has been implemented to provide a systematic and routine standard of care and maintenance and to ensure environmental compliance at closed facilities which require varying levels of inspection, maintenance, environmental monitoring and from time to time corrective action. Additionally, the Company routinely reviews and evaluates each landfill site requiring corrective action (including Superfund sites) in which the Company's subsidiaries are involved, considering each subsidiary's role with respect to each site and the relationship to the involvement of other parties at the site, the quantity and content of the waste with which the subsidiary was associated and the number and financial capabilities of the other parties at the various sites. Based on reviews of the various sites, currently available information, and management's judgment and significant prior experience related to similarly

situated facilities, expense accruals are provided by the Company for its share of estimated future costs associated with corrective actions to be implemented at certain of these sites and existing accruals are revised as deemed necessary. Expense accruals related to post-closure care of previously owned or operated solid waste landfills are also reviewed on a periodic basis and revised as necessary.

Accruals for closure, post-closure and certain other liabilities related to hazardous waste disposal were provided in fiscal 1990 when the Company discontinued its hazardous waste operations. The Company reviews the adequacy of these accruals on a periodic basis to determine whether any revisions in the accruals provided at that time are required.

6. Accrued Environmental and Landfill Costs—
Accrued environmental and landfill costs at September 30, 1994 and 1993 were as follows (in thousands):

	1994	1993
Accrued costs associated with open landfills (including landfills under expansion)	$328,920	$414,021
Accrued costs associated with closed landfills and corrective action costs (including Superfund sites)	197,754	125,162
Accrued costs of closure, post-closure and certain other liabilities associated with discontinued operations	161,531	189,947
Total	688,205	729,130
Less current portion (included in other accrued liabilities)	158,704	97,440
Accrued environmental and landfill costs	$529,501	$631,690

For a discussion of the Company's significant accounting policies related to these environmental and landfill costs, see Note (1) — "Summary of significant accounting policies"—"Deferred items"—"Accrued environmental and landfill costs."

Open landfills. The Company operates 93 solid waste landfills in the United States, 14 of which are operated under contracts with municipalities or others. The Company also operates 53 landfills outside of the United States. The Company is responsible for closure and post-closure monitoring and maintenance costs at most of these landfills which are currently operating or are engaged in expansion efforts. Estimated aggregate closure and post-closure costs are to be fully accrued for these landfills at the time that such facilities cease to accept waste and are closed. Considering existing accruals at the end of fiscal 1994, approximately $300-$325 million of additional accruals are to be provided over the remaining lives of these facilities. Estimated additional environmental costs ranging from $450-$475 million, principally related to capping and methane gas control activities expected to occur during the operating lives of these sites, are also to be expensed over the remaining lives of these landfill facilities. In addition, during fiscal year 1994, in excess of $85 million of these accruals was transferred to accrued costs associated with closed landfills and corrective action costs in connection with the closing of a number of landfills.

Closed landfills and corrective action costs (including Superfund sites). These costs relate to closure and post-closure activities or corrective actions at closed solid waste landfills owned or previously operated by the Company as well as a number of Superfund sites where subsidiaries of the Company are participating in potentially responsible party groups or are otherwise involved.

Discontinued operations. These costs relate to closure and post-closure activities or corrective actions at hazardous waste landfills owned or previously operated by the Company as well as a number of Superfund sites where subsidiaries of the Company previously disposed of hazardous waste and are participating in potentially responsible party groups or are otherwise involved.

PHILLIPS PETROLEUM COMPANY (DEC)

Millions of Dollars	1994	1993
Total Current Liabilities	$2,441	$2,421
Long-term debt	3,106	3,208
Accrued dismantlement, removal and environmental costs	564	528
Deferred income taxes	944	901
Employee benefit obligations	421	374
Other liabilities and deferred credits	656	553
Total Liabilities	8,132	7,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)
Dismantlement, Removal and Environmental Costs—The estimated undiscounted costs, net of salvage values, of dismantling and removing major facilities, including necessary site restoration, are accrued using either the unit-of-production or the straight-line method.

Environmental expenditures are expensed or capitalized as appropriate, depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations, and that do not have future economic benefit, are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments or cleanups are probable and the costs can be reasonably estimated. These liabilities have not been reduced for probable recoveries from third parties.

Note 5—Accrued Dismantlement, Removal and Environmental Costs
At December 31, 1994 and 1993, the company had accrued $449 million and $414 million, respectively, of dismantlement and removal costs, primarily related to worldwide offshore production facilities and to production facilities at Prudhoe Bay. Total probable dismantlement and removal costs estimated at December 31, 1994, were $854 million. These costs are accrued primarily on the unit-of-production method.

Phillips had accrued environmental costs, primarily related to cleanup of ponds and pits at domestic refineries and underground storage tanks at U.S. service stations, and other various costs, of $62 million and $72 million at December 31, 1994 and 1993, respectively. Phillips had also accrued $31 million and $16 million of environmental costs associated with discontinued or sold operations at December 31, 1994 and 1993, respectively. Also, $13 million was included at December 31, 1994 and 1993, for sites where the company has been named a Potentially Responsible Party. At the same dates, $9 million and $13 million, respectively, had been accrued for other environmental litigation. At December 31, 1994 and 1993, total environmental accruals were $115 million and $114 million, respectively.

THE SHERWIN-WILLIAMS COMPANY (DEC)

(Thousands of Dollars)	1994	1993
Total current liabilities	$597,048	$553,601
Long-term debt	20,465	37,901
Postretirement benefits other than pensions	172,114	166,025
Other long-term liabilities	119,060	123,967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Dollars Unless Otherwise Indicated)

Note 9—Other Long-Term Liabilities
Other long-term liabilities consist of the following:

	1994	1993	1992
Environmental-related	$71,049	$65,755	$53,252
Other	48,011	58,212	57,450
	$119,060	$123,967	$110,702

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former sites. Also, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the remediation of hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company provides for its estimated potential liability for investigation and remediation costs with respect to such third-party sites.

The Company initially provides for the estimated cost of certain environmental-related activities relating to its current, former and third-party sites when minimum costs can be reasonably estimated. These estimates are determined based on currently-available facts regarding each site. If the best estimate of costs can only be identified within a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is accrued. Actual costs incurred may vary from these estimates due to the inherent uncertainties involved. The Company believes that any additional liability in excess of amounts provided which may result from the resolution of these matters will not have a material adverse effect on the financial condition, liquidity, or cash flow of the Company.

In addition to the long-term portion of environmental-related accruals shown above, current accruals for certain environmental-related liabilities associated with the disposition and termination of operations (see Note 4) and those associated with other current, former and third-party sites are included in other accruals in current liabilities on the balance sheet.

Costs/Liabilities Related To Discontinued Operations

ALCO STANDARD CORPORATION (SEP)

(dollars in thousands)	1994	1993
Total current liabilities	$1,056,930	$1,020,174
Long-Term Debt	340,771	590,154
Deferred Taxes and Other Liabilities		
Deferred taxes	32,192	
Restructuring costs (note 16)	50,000	142,459
Workers' compensation and other	156,511	113,069
	238,703	255,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Restructuring Costs
On September 29, 1993, the Company adopted a plan to restructure its paper distribution business including the following: installation of a customer-focused information system, redesigning of warehouse and transportation management functions, regionalization of management and administrative support functions and consolidation of service center locations. In connection with certain elements of the restructuring plan, the Company recorded a charge to earnings of $175,000,000 ($112,875,000 net of taxes or $2.38 per share) in the fourth quarter of fiscal 1993. The charge provided for facility consolidation ($60,700,000), severance costs ($48,000,000) and related organizational and system redesign ($22,000,000).

At September 30, 1994, the remaining restructuring accrual is $106,971,000, which management believes is adequate to complete the restructuring plan by the end of fiscal 1996. As of September 30, 1994, 68 facility consolidations had been substantially completed. The estimated cost to complete the facility consolidations is $44,400,000 of which a significant portion relates to costs to dispose and maintain facilities which have been or will be vacated. Severance costs have been incurred during 1994 in accordance with the plan and $23,800,000 is the estimated balance for severance costs. The related organizational and system redesign is estimated to have a remaining cost of $16,200,000. The Company estimates cash expenditures for the restructuring plan will be $53,000,000 in fiscal 1995 and $43,000,000 in fiscal 1996.

TOSCO CORPORATION (DEC)

(Thousands of dollars)	1994	1993
Total current liabilities	$480,133	$311,030
Revolver debt	233,000	147,000
Long-term debt	454,429	456,306
Other liabilities	14,338	12,433
Environmental cost liability	35,382	29,440
Net liabilities of discontinued operations	2,526	11,733
Deferred income taxes	1,934	3,273

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Discontinued Operations

On May 4, 1993, Seminole completed the sale of its principal operating assets to Cargill Fertilizer Inc. for approximately $127,000,000. The cash proceeds, net of amounts used to extinguish outstanding revolving credit borrowings, of $91,217,000 were paid to Tosco to reduce intercompany debt. A 1992 loss of $105,000,000 was recorded for the estimated loss on sale of Seminole's principal operating assets including its 50% interest in the Fort Meade Chemical Products partnership (FMCP), and a provision for estimated operating losses during the phase-out period.

Net liabilities of the discontinued segment are as follows:

	December 31,	
(Thousands of Dollars)	1994	1993
Assets[(a)]	$25,015	$46,059
Long-term debt[(b)]	(15,200)	(32,982)
Other liabilities[(c)]	(12,341)	(24,810)
Net liabilities of discontinued operations	($2,526)	($11,733)

(a) Assets include a receivable for income taxes of $12,936,000 and $37,740,000 at December 31, 1994 and 1993, respectively, which will be utilized to reduce Tosco's consolidated tax liability.

(b) A subsidiary of Seminole sold its partnership interest in FMCP effective January 1, 1994. Pursuant to the sale agreement, the subsidiary remains obligated for its 50% share of the debt of FMCP.

(c) Under the terms of the 1993 sale agreement, Seminole executed promissory notes to Cargill totaling $14,500,000, payable in two equal installments on January 1, 1994 and 1995.

Liabilities Subject to Compromise

EAGLE-PICHER INDUSTRIES, INC. (NOV)

(In thousands of dollars)	1994	1993
Total Current Liabilities	$ 85,961	$ 74,800
Liabilities Subject to Compromise	1,657,265	1,656,563
Long-Term Debt, less current portion	19,896	21,712
Postretirement Benefits Other Than Pensions	21,070	20,209
Other Long-Term Liabilities	3,608	3,282
Total Liabilities	1,787,800	1,776,566

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are summarized below. These policies conform to generally accepted accounting principles and have been consistently applied.

The Company has accounted for all transactions related to the chapter 11 proceedings in accordance with 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. Accordingly, Liabilities Subject to Compromise under the chapter 11 proceedings have been segregated on the Consolidated Balance Sheet and are recorded at the amounts that have been or are expected to be allowed on known claims rather than estimates of consideration those claims may receive in a plan of reorganization. In addition, the Consolidated Statements of Income (Loss) and Cash Flows separately disclose expenses and cash transactions, respectively, related to the chapter 11 proceedings.

Common Equity Put Options

MCDONALD'S CORPORATION (DEC)

(In millions of dollars)	1994	1993
Total current liabilities	$2,451.3	$1,102.0
Long-term debt	2,935.4	3,489.4
Other long-term liabilities and minority interests	422.8	334.4
Deferred income taxes	840.8	835.3
Common equity put options	56.2	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Equity Put Options

In June 1994, the Company sold 2.0 million common equity put options which were exercised in November 1994. During November and December 1994, the Company sold an additonal 2.0 million common equity put options which expired unexercised in the first quarter of 1995. At December 31, 1994, the $56.2 million exercise price of these options was classified in common equity put options, and the related offset was recorded in common stock in treasury, net of premiums received.

In April 1993, the Company sold 1.0 million common equity put options which expired unexercised in July 1993. In December 1992, the Company sold 2.0 million common equity put options which expired unexercised in April 1993. At December 31, 1992, the $94.0 million exercise price of these options was classified in common equity put options and the related offset was recorded in common stock in treasury, net of premiums received.

Preferred Stock Of Subsidiary

CORNING INCORPORATED (DEC)

(In millions)	1994	1993
Total current liabilities	$1,074.2	$1,020.3
Other Liabilities	643.6	668.6
Loans Payable Beyond One Year	1,405.6	1,585.6
Minority Interest in Subsidiary Companies	247.0	245.7
Convertible Preferred Securities of Subsidiary	364.4	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Convertible Monthly Income Preferred Securities

In July 1994, Corning and Corning Delaware L.P., a special purpose limited partnership in which Corning is the sole general partner, completed a public offering of 7.5 million shares of Convertible Monthly Income Preferred Securities (MIPS), guaranteed by Corning and convertible into Corning common stock at the rate of 1.2821 shares of Corning common stock for each preferred security (equivalent to a conversion price of $39 per share). Dividends on the preferred securities are payable by Corning Delaware at the annual rate of 6% of the liquidation preference of $50 per preferred security. The proceeds, which totaled $364.4 million (net of $9.4 million of underwriting commissions and expenses) were used to retire the remaining debt incurred in the 1993 acquisition of Damon.

After August 5, 1998, the preferred securities will be redeemable, at the option of Corning Delaware, for $51.80 per preferred security reduced annually by $0.30 to a minimum of $50 per preferred security. The preferred securities are subject to mandatory redemption on July 21, 2024, at a redemption price of $50 per preferred security.

Corning may cause Corning Delaware to delay the payment of dividends for up to 60 months. During such period, dividends on the MIPS will compound monthly and Corning may not declare or pay dividends on its common stock. If Corning Delaware fails to pay dividends on the MIPS for 15 consecutive months or upon the occurrence of certain other events, the preferred securities may convert, at the option of the holders, to Corning Series C convertible preferred stock, par value $100 per share. The Series C convertible preferred stock will have dividend, conversion, optional redemption, and other terms substantially similar to the terms of the MIPS, except that, among other things, the holders of Series C preferred stock will have the right to elect two additional directors of Corning whenever dividends are in arrears for 18 months and the Series C preferred stock will not be subject to mandatory redemption.

Film Rental Contracts

MEREDITH CORPORATION (JUN)

(in thousands)	1994	1993
Total Current Liabilities	$280,379	$282,474
Long-Term Indebtedness	126,822	131,945
Long-Term Film Rental Contracts (Notes 2 and 12)	4,118	5,638
Unearned Subscription Revenues	95,407	102,107
Deferred Income Taxes	37,011	30,472
Other Deferred Items	24,966	23,876
Total Liabilities	568,703	576,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Disclosures About the Fair Value of Financial Instruments

b. Film Rental Contracts Payable

The amount reflected as film rental contracts payable represents future payments to be made under film program contract agreements. The fair value of film rights payable is the present value of future payments which was approximately $10,300,000 at June 30, 1994 ($15,200,000 at June 30, 1993). In addition, film rental contracts payable that do not appear on the Consolidated Balance Sheets due to their unavailability (see Note 12), had fair values of $17,500,000 and $18,500,000 at June 30, 1994 and 1993, respectively.

12 (In Part): Commitments and Contingent Liabilities

Film rental contracts payable are noninterest-bearing, and the amounts due in the years after June 30, 1995, are $2,885,000 in 1996; $1,202,000 in 1997; and $31,000 in 1998. The Company is also obligated to make payments under contracts for programs not currently available for use and, therefore, not included in the consolidated financial statements, in the amount of $19,006,000 at June 30, 1994 ($20,219,000 at June 30, 1993). The portion of these payments due in succeeding years is $4,893,000 in 1995; $6,323,000 in 1996; $4,723,000 in 1997; $2,161,000 in 1998; and $906,000 thereafter.

Deferred Credits

ANALOGIC CORPORATION (JUL)

(000 omitted)	1994	1993
Total current liabilities	$26,169	$25,621
Long-term debt:		
Mortgage and other notes payable	7,381	9,227
Obligations under capital leases	3,612	3,978
	10,993	13,205
Deferred income taxes	4,128	3,066
Minority interest in subsidiaries	12,120	10,611
Excess of acquired net assets over cost, net	1,819	2,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Business combinations:

As of January 1, 1993, the Company acquired an interest of approximately 57% in a newly-formed company, B&K Medical A/S (B&K), for $3,607,000 in cash and a subordinated interest free short-term loan of $3,500,000 which was converted into equity on July 31, 1993. The Company's ownership interest was adjusted upward to 59% in fiscal 1994 in accordance with the shareholders' agreement. B&K, a Danish Corporation, is primarily engaged in the design and manufacture of ultrasound imaging devices used in urology and various sonographic techniques. The acquisition was accounted for as a purchase and B&K's results from operations have been included in the Company's consolidated financial statements beginning January 1, 1993. The Company's equity in net assets of B&K exceeded the purchase price by approximately $2,662,000. This excess of acquired net assets over cost is being amortized over a 5 year period beginning in January, 1993. Accumulated amortization amounted to $843,000 and $266,000 as of July 31, 1994 and 1993, respectively.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1994	1993
Total Current Liabilities	$19,612,505	$10,146,694
Supplemental Retirement Benefits	1,326,727	1,353,512
Long-Term Debt, less current portion	37,000,000	12,750,000
Deferred Lease Costs	3,394,324	—
Deferred Income Taxes	7,710,800	8,820,800
Total Liabilities	69,044,356	33,071,006

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Lease Costs

Deferred lease costs arising from an acquisition represents the excess of actual rent payments on an operating lease over the current market rental rate. The deferred lease cost is amortized over 81 months, the remaining life of the lease.

REFLECTONE, INC. (DEC)

	1994	1993
Total current liabilities	$51,316,084	$33,842,619
Deferred gain on sale of equipment	2,916,138	—

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

During December 1994, the Company entered into an agreement for the sale and leaseback of the Company's self constructed C-130H full flight simulator, located at the Company's training center in Tampa, Florida. The Company has a purchase option at fair market value at expiration of the lease, and an early termination option which permits the Company to purchase the simulator, contingent upon cancellation or failure to renew an existing training contract or sale of the simulator to a third party by the Company. The lease is classified as an operating lease in accordance with Statement of Financial Accounting Standards No. 13, "Accounting for Leases."

The book value and associated depreciation of the simulator approximately $7,819,000 and $735,000, respectively, have been removed from the accounts and the gain realized on the sale approximating $2,916,000 has been deferred. The deferred gain will be credited to income as rent expense adjustments over the 12-year lease term. Payments under the lease approximate $1,396,000 annually, commencing in April 1995.

REX STORES CORPORATION (JAN)

(In Thousands)	1995	1994
Total current liabilities	$56,275	$45,937
Long-term liabilities:		
Long-term debt	25,595	10,879
Deferred income (Note 2)	13,573	10,404
Deferred gain on sale and leaseback	7,779	9,505
Total long-term liabilities	46,947	30,788

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Deferred Income on Service Contracts—

The Company sells product service contracts covering periods beyond the normal manufacturers' warranty periods, usually with terms of coverage (including manufacturers' warranty periods) of between 12 to 60 months. Revenues net of sales commissions are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. Service contract costs are charged to operations as incurred.

THE TORO COMPANY (JUL)

(Dollars in thousands)	1994	1993
Total current liabilities	$188,712	$150,260
Deferred income taxes	—	1,372
Long-term debt, less current portion	81,025	122,970
Deferred income	5,250	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Deferred Income

An interest rate exchange agreement was entered into primarily as a hedge against interest costs on long-term debt. The net interest differential to be received or paid and the $5,250,000 deferred income will be recognized, commencing August 1, 1997, over the term of the agreement as an adjustment to interest expense.

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 1994 financial statements of the survey companies.

TABLE 2-30: USE OF TERM "RESERVE"

	Number of Companies			
	1994	1993	1992	1991
To describe deductions from assets for				
Reducing inventories to LIFO cost	47	38	32	36
Doubtful accounts	21	18	17	20
Accumulated depreciation	3	4	4	4
Other—described	6	9	10	11
To describe accruals for				
Estimated expenses relating to property abandonments or discontinued operations	33	32	26	16
Insurance	23	15	16	16
Environmental costs	17	17	12	10
Employee benefits or compensation	8	5	5	9
Other—described	14	13	14	14
Other—not described	1	3	6	6

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-31 summarizes the titles used by the survey companies to identify the stockholders' equity section of the balance sheet.

TABLE 2-31: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1994	1993	1992	1991
Shareholders' Equity	255	257	254	251
Stockholders' Equity	249	249	239	241
Shareowners' Equity	24	20	20	19
Common Stockholders' Equity	13	12	15	14
Shareholders' Investment	9	15	14	9
Stockholders' Investment	9	10	10	15
Common Shareholders' Equity	8	7	11	14
Other or no title	33	30	37	37
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

	1994	1993	1992	1991
Common stock with:				
No preferred stock	448	438	450	456
One class of preferred stock	118	127	112	109
Two classes of preferred stock	28	29	31	27
Three or more classes of preferred stock	6	6	7	8
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	59	61	54	62

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

	1994	1993	1992	1991
Bases				
Par value stock shown at:				
Par value	573	572	570	578
Amount in excess of par	18	23	15	15
Assigned per share amount	5	9	9	10
No par value stock shown at:				
Assigned per share amount	18	13	13	7
No assigned per share amount	51	49	49	55
Issues Outstanding	**665**	**666**	**656**	**665**

PREFERRED STOCK

Table 2-34 summarizes the valuation bases of preferred stock. As with common stock, many of the survey companies show preferred stock at par value.

APB Opinion No. 10 recommends that a liquidation preference (excess of involuntary liquidation value over par or stated value) be disclosed in the equity section of the balance sheet in the aggregate.

SEC *Accounting Series Release No. 268* (Section 211 of *Financial Reporting Release No. 1)* requires that preferred stock with mandatory redemption requirements not be shown as part of equity. *ASR No. 268* does not discuss the valuation basis for such securities. A *Staff Accounting Bulletin* issued by the SEC staff states that preferred stock with mandatory redemption requirements should be stated on the balance sheet at either fair value at date of issue or, if fair value is less than redemption value, at fair value increased by periodic accretions of the difference between fair value and redemption value.

Paragraph 10C of *Statement of Financial Accounting Standards No. 47* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the redemption requirements of redeemable capital stock.

Examples of preferred stock presentations follow.

TABLE 2-34: PREFERRED STOCK

	Number of Companies			
	1994	1993	1992	1991
Bases				
Par value stock shown at:				
Par value	66	71	69	65
Liquidation or redemption value	24	25	24	28
Assigned per share amount	9	12	9	6
Fair value at issuance date	2	3	5	5
Other	12	6	7	7
No par value stock shown at:				
Liquidation or redemption value	19	20	27	18
Assigned per share amount	13	19	17	23
Fair value at issuance date	3	4	3	3
No assigned per share amount	23	16	11	10
Number of Companies				
Preferred stock outstanding	160	162	152	147
No preferred stock outstanding	440	438	448	453
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended At Par Value

DRAVO CORPORATION (DEC.)

Thousands of dollars, except per share amounts	1994	1993
Redeemable preference stock (Notes 6 and 15):		
Par value $1, issued 200,000 shares: cumulative, convertible, exchangeable Series D (entitled in liquidation to $20.0 million)	$20,000	$20,000
Shareholders' equity (Note 6):		
Preference stock, par value $1, authorized 1,878,870 shares: Series B, $2.475 cumulative, convertible, issued 28,386 and 32,386 shares (entitled in liquidation to $1.6 million and $1.8 million); Series D, reported above	28	32
Common stock, par value $1, authorized 35,000,000 shares: issued 14,985,839 and 14,967,824 shares	14,986	14,968
Other capital	63,554	63,260
Retained earnings	18	13,119
Treasury stock at cost; common shares 119,221	(1,840)	(1,840)
Total shareholders' equity	76,746	89,539

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Redeemable Preference Stock

The company has outstanding 200,000 shares of cumulative, convertible, exchangeable, Series D Preference Stock. Cumulative dividends of $3.0875 per share are payable quarterly. Each share of preference stock may be converted, at the option of the holder, into 8.0 shares of common stock. The stock is also exchangeable, at the option of the company, for 12.35 percent Senior Subordinated Convertible notes due September 21, 2001. The 12.35 percent senior subordinated notes would contain the same conversion rights, restrictions and other terms as the preference stock.

The company may redeem the stock, in whole or in part, after January 21, 1996 for $100 per share plus accrued dividends, provided that the market price of common stock as of the date of the decision to redeem the shares, as defined in the Certificate of Designations, Preferences and Rights for the Series D Preference Stock, shall be at least equal to 175 percent of the conversion price for the preference stock. Mandatory annual redemption of the lesser of 50,000 shares or the number of shares then outstanding begins September 21, 1998 at $100 per share plus accrued dividends. In the event of liquidation of the company, the holders of outstanding Series D Preference Stock shall be entitled to receive a distribution of $100 per share plus accrued dividends.

The company had outstanding 28,386 and 32,386 shares of cumulative, convertible Series B Preference Stock on December 31, 1994 and 1993, respectively. Cumulative annual dividends of $2.475 per share are payable quarterly. Each share of Series B Preference Stock may be converted at the option of the holder to 3.216 shares of common stock. In the event of the company's liquidation, the holders of the Series B Preference Stock are entitled to $55 per share plus all accumulated and unpaid dividends.

Note 15: Fair Value of Financial Instruments

The fair value of financial instruments without extended maturities equals their carrying values. The estimated fair value of financial instruments with extended maturities at December 31 are presented below:

	1994		1993	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	$127,517	$126,220	$93,008	$95,659
Series D Preference Stock	20,000	21,347	20,000	23,544
Off-balance sheet financial instrument:				
Interest rate swap	—	—	—	123

The carrying amounts of notes receivable approximate fair value. The fair value of notes payable and the Series D Preference Stock is based upon the amount of future cash flows associated with each instrument discounted using the company's estimated borrowing rate for similar debt instruments of comparable maturity. The preference stock fair value also includes an estimated factor to value the conversion feature. The fair value of the interest rate swap at December 31, 1993 is the estimated amount the company would have received if it had terminated the agreement on that date. The swap was terminated in December, 1994. The company does not intend to enter into hedging transactions in the future.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

SEQUA CORPORATION (DEC)

(Amounts in thousands, except share data)	1994	1993
Shareholders' equity (Note 12)		
Preferred stock—$1 par value, 1,825,000 shares authorized; 797,000 shares of $5 cumulative convertible stock issued at December 31, 1994 and 1993 (involuntary liquidation value—$26,359 at December 31, 1994)	$ 797	$ 797
Class A common stock—no par value, 25,000,000 shares authorized; 7,188,000 shares issued at December 31, 1994 and 7,054,000 shares issued at December 31, 1993	7,188	7,054
Class B common stock—no par value, 5,000,000 shares authorized; 3,727,000 shares issued at December 31, 1994 and 3,861,000 shares issued at December 31, 1993	3,727	3,861
Capital in excess of par value	287,204	295,841
Cumulative translation adjustment	(1,899)	(16,771)
Retained earnings	354,676	383,617
	651,693	674,399
Less: cost of treasury stock	85,202	98,615
Total shareholders' equity	566,491	575,784

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Capital Stock

The Company's capital stock consists of Class A and Class B common stock, and $5.00 cumulative convertible preferred stock. Holders of Class A common stock have one vote per share, holders of Class B common stock have ten votes per share and preferred stockholders have one vote per share. Holders of Class B common stock are entitled to convert their shares into Class A common stock at any time on a share-for-share basis. Each share of $5.00 cumulative convertible preferred stock is convertible into 1.322 shares of Class A common stock. The preferred stock is redeemable, at the option of the Company, at $100 per share.

TIME WARNER INC. (DEC.)

(millions, except per share amounts)	1994	1993
Shareholders' equity		
Preferred stock, $1 par value, 250 million shares authorized, 962 thousand shares outstanding, $140 million liquidation preference	$ 1	$ 1
Common stock, $1 par value, 750 million shares authorized, 379.3 million and 378.3 million shares outstanding	379	378
Paid-in capital	2,588	2,537
Unrealized gains on certain marketable securities	130	205
Accumulated deficit	(1,950)	(1,751)
Total shareholders' equity	1,148	1,370

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Capital Stock

The outstanding capital stock of Time Warner at December 31, 1994 consisted of 962,068 shares of Series B preferred stock and 379.3 million shares of common stock (net of 45.7 million shares of common stock in treasury, as to which 43.7 million were held by the Time Warner General Partners). At January 31, 1995, there were approximately 19,000 holders of record of Time Warner common stock.

Pursuant to a shareholder rights plan adopted in January 1994, Time Warner distributed one right per common share which becomes exercisable in certain events involving the acquisition of 15% or more of Time Warner common stock. Upon the occurrence of such an event, each right entitles its holder to purchase for $150 the economic equivalent of common stock of Time Warner, or in certain circumstances, of the acquiror, worth twice as much. In connection with the plan, 4 million shares of preferred stock were reserved. The rights expire on January 20, 2004.

Each share of Series B preferred stock is: (1) entitled to a liquidation preference of $145, (2) entitled to earn dividends at a rate of 6.4% per annum of its $145 liquidation value through May 31, 1995 and at a rate of 3% per annum thereafter, payable quarterly in cash, (3) not entitled to vote, except in certain circumstances, and (4) redeemable, in whole or in part, (a) by Time Warner prior to May 31, 1995 in exchange for shares or fractional shares of any class or series of publicly-traded Time Warner stock ("Public Stock") equal in value to the liquidation value of the Series B stock and (b) by Time Warner or the holder on or after May 31, 1995 in exchange for, at Time Warner's option, cash or shares or fractional shares of Public Stock equal in value to the liquidation value of the Series B stock plus a premium of 2% of liquidation value for each year after May 31, 1995 to the redemption date.

In 1993, Time Warner redeemed its old Series D preferred stock for cash and exchanged its old Series C preferred stock for 8.75% convertible subordinated debentures due January 10, 2015. The old Series D redemption was financed principally by the proceeds from the issuance of long-term notes and debentures.

At December 31, 1994, Time Warner had reserved 143.8 million shares of common stock for the conversion of the 8.75% convertible subordinated debentures, zero coupon convertible notes and other convertible securities, and for the exercise of outstanding options to purchase shares of common stock. Approximately 43 million additional shares will be reserved for the conversion of the new Series C, D, E and F preferred stocks issuable in the cable acquisitions that are expected to close in 1995 (Note 3).

Preferred Stock Extended At Stated Value

THE UPJOHN COMPANY (DEC)

Dollar amounts in thousands	1994	1993
Shareholders' equity:		
Preferred stock, one dollar par value; authorized 12,000,000 shares, issued Series B convertible 7,322 shares at stated value (1993: 7,379 shares)	$ 295,079	$ 297,387
Common stock, one dollar par value; authorized 600,000 shares, issued 190,589,607 shares	190,590	190,590
Capital in excess of par value	64,636	66,406
Retained earnings	2,757,260	2,535,010
Note receivable from ESOP Trust (ESOT)	(33,520)	(31,548)
ESOP deferred compensation	(243,962)	(251,301)
Currency translation adjustments	(33,057)	(114,198)
Treasury stock at cost, 17,447,880 shares (1993: 17,157,689 shares)	(614,408)	(606,696)
Total shareholders' equity	2,382,618	2,085,650

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

O. (In Part): Shareholders' Equity

Preferred Stock—The Series B Convertible Perpetual Preferred Stock is held by The Upjohn Company Employee Stock Ownership Trust (ESOT). The per-share stated value is $40,300, and the preferred stock ranks senior to the company's common stock as to dividends and liquidation rights. Each share is convertible, at the holders' option, into 1,000 shares of the company's common stock and has voting rights equal to 1,000 shares of common. The company may redeem the preferred stock at any time after July 20, 1999, or upon termination of the ESOP at a minimum price of $40,300 per share. Dividends, at the rate of 6.25 percent, are cumulative, paid quarterly and charged against retained earnings.

Preferred Stock Extended At Redemption Or Liquidating Value

BECTON, DICKINSON AND COMPANY (SEP)

Thousands of dollars, except per share amounts	1994	1993
Shareholders' Equity		
ESOP convertible preferred stock—$1 par value: authorized—1,016,949 shares; issued and outstanding—954,764 shares in 1994 and 984,890 shares in 1993	$ 56,331	$ 58,108
Common stock—$1 par value: authorized—160,000,000 shares; issued—85,349,046 shares	85,349	85,349
Capital in excess of par value	111,600	104,954
Cumulative currency translation adjustments	8,573	(22,048)
Retained earnings	1,752,360	1,581,196
Unearned ESOP compensation	(41,096)	(45,249)
Common shares in treasury—at cost—15,071,131 shares in 1994 and 10,622,430 shares in 1993	(491,423)	(305,357)
Total Shareholders' Equity	1,481,694	1,456,953

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars, except per share amounts

Note 2 (In Part): Employee Stock Ownership Plan (ESOP) / Savings Plan

The Company has an Employee Stock Ownership Plan (ESOP) as part of its voluntary defined contribution plan (savings plan) covering most domestic employees. The ESOP is intended to satisfy all or part of the Company's obligation to match 50% of employees' contributions, up to a maximum of 3% of each participant's salary. To accomplish this, in 1990, the ESOP borrowed $60,000 in a private debt offering and used the proceeds to buy the Company's ESOP convertible preferred stock. Each share of preferred stock has a guaranteed liquidation value of $59 per share and is convertible into 1.6 shares of the Company's common stock. The preferred stock pays an annual dividend of $3.835 per share, a portion of which is used by the ESOP, together with the Company's contributions, to repay the ESOP debt. Since the ESOP debt is guaranteed by the Company, it is reflected on the consolidated balance sheet as short-term and long-term debt with a related amount shown in the shareholders' equity section as unearned ESOP compensation.

GTI CORPORATION (DEC)

dollars in thousands, except share amounts	1994	1993
Stockholders' Investment		
Preferred Stock, authorized 1,000,000 shares; first series, $35.00 cumulative convertible, authorized and issued 8,110 shares	$8,110	$8,110
Common Stock, par value $.04 per share, authorized 12,000,000 shares, issued 8,459,350 in 1994 and 8,402,525 in 1993	339	337
Additional paid-in capital	34,567	34,269
Retained earnings	34,737	29,760
Treasury Stock (250,000 shares in 1994 and 1993), at cost	(1,040)	(1,040)
Cumulative translation adjustments	850	336
Total stockholders' investment	77,563	71,772

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Stockholders' Investment

Preferred Stock—The preferred stock is convertible at the discretion of the holder, at a rate of 234.314 shares of Common Stock per share of preferred stock, into 1,900,287 shares of the Company's Common Stock. Dividends accrue at the rate of $35.00 per share, per year and are payable quarterly. The preferred shares have a liquidation preference of $1,000 per share and a par value of $1.00 per share.

QUANEX CORPORATION (OCT)

(In thousands)	1994	1993
Stockholders' equity (Note 12):		
Preferred stock, no par value, 1,000,000 shares authorized; 345,000 issued and outstanding	$ 86,250	$ 86,250
Common stock, $.50 par value 25,000,000 shares authorized; 13,377,724 shares in 1994 and 13,314,837 shares in 1993 issued and outstanding	6,688	6,657
Additional paid-in capital	86,323	85,218
Retained earnings	55,081	49,635
Unearned compensation	(370)	—
Adjustment for minimum pension liability	(1,723)	(1,984)
Total stockholders' equity	232,249	225,776

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Preferred Stock—Depositary Convertible Exchangeable Preferred Shares

During May 1992, the Company issued 3,450,000 Depositary Convertible Exchangeable Preferred Shares ("Depositary Shares"), each representing 1/10th of a share of the Company's 6.88% Cumulative Convertible Exchangeable Preferred Stock ("Preferred Stock"). The net proceeds from the issuance was $82.9 million. The dividend per annum and liquidation preference for each share of Preferred Stock are $17.20 and $250, respectively, and for each Depositary Share are $1.72 and $25, respectively. Dividends on the Preferred Stock and Depositary Shares are cumulative and payable quarterly, commencing September 30, 1992. The Company is prohibited from paying any dividends on Common Stock (other than in Common Stock or junior stock) unless all required preferred dividends have been paid.

The Preferred Stock is convertible at the option of the holder into shares of the Company's Common Stock at a conversion price of $31.50 per share, subject to adjustment in certain events. As a result, 2,738,095 shares of Common Stock are reserved for conversion.

The Preferred Stock is exchangeable at the option of the Company, in whole but not in part, on any dividend payment date commencing June 30, 1995 for the Company's 6.88% Convertible Subordinated Debentures due June 30, 2007 ("6.88% Debentures") at the rate of $250 principal amount of 6.88% Debentures for each share of Preferred Stock and $25 principal amount of 6.88% Debentures for each Depositary Share. The 6.88% Debentures, if issued, will bear interest payable semiannually on June 30 and December 31 of each year.

The Preferred Stock may be redeemed at any time on or after June 30, 1995 at the option of the Company, in whole or in part, at specified redemption prices, together with accrued and unpaid dividends, except that no such redemption may be made prior to June 30, 1996 unless the last reported sale price of the Company's Common Stock is at least 150% of the conversion price then in effect for any 20 trading days within a period of 30 consecutive trading days ending not more than five days prior to the date of the notice of redemption.

Fair Value

COCA-COLA ENTERPRISES INC. (DEC)

(In millions except share data)	1994	1993
Share-Owners' Equity		
Preferred stock, $35 stated value—1,000,000 shares authorized and issued	$ 29	$ 29
Common stock, $1 par value—Authorized-500,000,000 shares; Issued 143,841,182 shares and 142,182,183 shares, respectively	144	142
Paid-in capital	1,301	1,280
Reinvested earnings	70	9
Cumulative translation adjustment	21	(3)
Common stock in treasury, at cost (14,636,598 shares and 13,004,598 shares, respectively)	(226)	(197)
	1,339	1,260

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Preferred Stock—In connection with the 1993 acquisition of the Coca-Cola Bottling Company of Northeast Arkansas, Inc., the Company issued 1,000,000 shares of nonvoting convertible preferred stock with a stated value of $35 per share. Each share is convertible into one share of common stock at any time at the option of the holder. The preferred stock may be called by the Company at any time for cash equal to its stated value plus accrued dividends. The preferred stock pays cumulative cash dividends of 3% per annum for the first five years, 4.29% per annum for the following five years, adjusting to an annual rate equal to LIBOR plus 1% thereafter. Adjustments of the stated value of the preferred stock to its estimated fair value at date of issuance of approximately $29 million, results in an annual dividend cost of approximately 6%.

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

	1994	1993	1992	1991
Additional paid-in capital	248	245	242	243
Capital in excess of par or stated value	145	147	148	148
Paid-in capital	48	48	45	43
Additional capital, or other capital	36	41	41	40
Capital surplus	31	32	34	35
Paid-in surplus	2	2	4	5
Other captions	18	15	17	18
	528	530	531	532
No additional paid-in capital account	72	70	69	68
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 other components of stockholders' equity.

TABLE 2-36: RETAINED EARNINGS—CAPTION TITLE

	1994	1993	1992	1991
Retained Earnings	455	460	460	470
Retained Earnings with additional words	7	8	10	13
Earnings with additional words	34	32	33	35
Income with additional words	9	10	13	9
Earned Surplus	1	2	2	2
Retained Earnings (Deficit)	41	33	35	25
Accumulated Deficit	53	55	47	46
Total Companies	**600**	**600**	**600**	**600**

AT&T CORP. (DEC)

Dollars in millions (except per share amount)	1994	1993
Common Shareowners' Equity		
Common shares par value $1 per share	$ 1,569	$ 1,547
Authorized shares: 2,000,000,000		
Outstanding shares:		
1,569,006,000 at December 31, 1994;		
1,546,518,000 at December 31, 1993		
Additional paid-in capital	15,825	14,324
Guaranteed ESOP obligation	(305)	(355)
Foreign currency translation adjustments	145	(32)
Retained earnings (deficit)	687	(2,110)
Total common shareowners' equity	17,921	13,374

CMI CORPORATION (DEC)

(dollars in thousands)	1994	1993
Common stock and other capital:		
Common stock:		
Shares issued and outstanding—621 in 1994 and 1993	$ —	$ —
Class A Common Stock:		
Shares issued and outstanding—20,351,591 in 1994 and 1993	2,035	2,035
Additional paid-in capital	46,229	46,418
Accumulated deficit	(6,131)	(28,749)
	42,133	19,704

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *Accounting Research Bulletin 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 seventy-two companies disclosed the existence of stock option plans. Ninety-three companies disclosed a stock purchase plan. Examples of stock option plan and stock purchase plan disclosures follow.

STOCK OPTION PLANS

ALLIEDSIGNAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Stock Options and Awards

The Company has a 1993 Stock Plan and a 1985 Stock Plan available to grant options and other related benefits to employees. Under both plans, the Company may grant incentive and non-qualified stock options, stock appreciation rights (SARs), restricted shares and restricted units (Units) to officers and other employees. SARs entitle an optionee to surrender unexercised stock options for cash or stock equal to the excess of the fair market value of the surrendered shares over the option value of such shares. The 1993 Stock Plan provides for the annual grant of awards in an amount not in excess of 1.5% of the total shares issued (including shares held in treasury) on December 31 of the year preceeding the year of the award. Any shares that are available for awards that are not utilized in a given year will be available for use in subsequent years. Units have been granted to certain employees, which entitle the holder to receive shares of common stock. At December 31, 1994 there were 1,206,109 Units outstanding, including 428,680 Units granted in 1994, the restrictions on which generally lapse over periods not exceeding nine years from date of grant. Incentive stock options have a term determined by the Management Development and Compensation Committee of the Board (the Committee), but not in excess of ten years. Non-qualified stock options have been granted with terms of up to ten years and one day. An option becomes exercisable at such times and in such installments as set by the Committee. Options generally become exercisable over a three-year period.

Stock Options	Number of Shares
Outstanding at December 31, 1991	22,276,124
Granted at $22.07-$27.82 per share	5,934,198
Less—	
Exercised at $10.12-$23.41 per share	8,823,506
Lapsed or canceled	286,290
Surrendered upon exercise of SARs	270,262
Outstanding at December 31, 1992	18,830,264
Granted at $29.13-$36.94 per share	5,949,990
Less—	
Exercised at $10.34-$34.35 per share	4,986,618
Lapsed or canceled	145,190
Surrendered upon exercise of SARs	30,000
Outstanding at December 31, 1993	19,618,446
Granted at $33.57-$39.07 per share	6,809,010
Less—	
Exercised at $13.75-$35.91 per share	1,693,567
Lapsed or canceled	344,720
Surrendered upon exercise of SARs	17,450
Outstanding at December 31, 1994, $13.75-$39.07 per share	24,371,719
Exercisable at December 31, 1994	12,659,343
Available for grant at December 31, 1993	6,191,044
Available for grant at December 31, 1994	4,739,240

The Company also has a Stock Plan for Non-Employee Directors (Directors) under which restricted shares and options are granted. Prior to April 25, 1994 Directors received one-time grants of 3,000 shares of common stock and new Directors after that date will receive grants of 1,500 shares of common stock, subject to certain restrictions. In addition, each Director will be granted an option to purchase 1,000 shares of common stock each year on the date of the annual meeting of shareowners. The Company has set aside 225,000 shares for issuance under the stock plan. Options generally become exercisable over a three-year period and have a term of ten years.

All options were granted at not less than fair market value at dates of grant.

Treasury shares of common stock have been used upon exercise of stock options. Differences between the cost of treasury stock used and the total option price of shares exercised have been reflected in retained earnings.

AMCAST INDUSTRIAL CORPORATION (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options

The company has two active stock option plans.

The 1981 Stock Option Plan was approved by shareholders of the company on December 16, 1981 and amended by the shareholders on December 18, 1985. The plan provided for the granting of a maximum of 400,000 options to purchase common shares to key employees of the company and its subsidiaries. The option price per share may not be less than the fair market value of a share on the date the option is granted, and the maximum term of an option may not exceed ten years. Options granted under the plan may include related stock appreciation rights. Granting of options under this plan expired on October 13, 1991.

The 1989 Stock Incentive Plan was approved by shareholders of the company on December 14, 1988 and amended by the shareholders on December 9, 1992. The plan provides for the granting of a maximum of 800,000 stock options, stock appreciation rights, performance awards, and restricted stock awards to key employees of the company and its subsidiaries. The option price per share may not be less than the fair market value of a share on the date the option is granted, and the maximum term of an option may not exceed ten years.

The 1989 Director Stock Option Plan was approved by the shareholders of the company on December 14, 1988. The plan provides for the granting of a maximum of 120,000 nonqualified stock options. The option price per share is equal to the fair market value of a company share on the date of grant. The term of each option is five years, and an option first becomes exercisable one year after the date of grant. Under the plan, each person serving as a director of the company on the first business day of January of each year, who is not employed by the company, i.e., an "outside director," will automatically be granted 1,500 options.

Information regarding the company's stock option plans is summarized below:

	1981 Stock Option Plan	1989 Stock Incentive Plan	1989 Director Stock Option Plan
Shares under option:			
Outstanding at September 1, 1991	141,214	255,000	36,000
Granted		138,821	12,000
Exercised	(108,382)	(107,550)	(3,000)
Canceled	(2,000)	(23,187)	
Outstanding at August 31, 1992	30,832	263,084	45,000
Granted		102,623	12,000
Exercised	(23,832)	(46,174)	(10,500)
Canceled			
Outstanding at August 31, 1993	7,000	319,533	46,500
Granted		97,932	10,500
Exercised	(7,000)	(65,009)	(15,000)
Canceled		(11,129)	
Outstanding at August 31, 1994		341,327	42,000
Options available to grant at August 31, 1994		239,940	49,500
Average option price per share:			
At August 31, 1992	$ 11.73	$ 11.29	$ 13.21
At August 31, 1993	12.75	12.81	14.37
At August 31, 1994		14.95	16.69
Options exercisable:			
At August 31, 1992	30,832	141,450	33,000
At August 31, 1993	7,000	216,910	34,500
At August 31, 1994		243,395	31,500
Average price of options exercised:			
Year Ended August 31, 1992	$ 11.40	$ 8.93	$ 12.66
Year Ended August 31, 1993	11.43	9.44	11.04
Year Ended August 31, 1994	12.75	11.78	12.66

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

12 (In Part): Capital Stock

Stock-Option Plan—The Company has an incentive stock-option plan, whereby incentive stock options and non-qualifying stock options may be granted to officers and other key employees to purchase a specified number of shares of common stock at a price not less than the fair market value on the date of grant and for a term not to exceed 10 years. In addition to the stock options, the optionee may also be granted a stock appreciation right (SAR). To date, SARs generally have been granted for the same number of shares subject to related options. During 1994, the Board of Directors of the Company unanimously adopted and the shareholders approved an amendment to the Company's incentive stock option plan increasing the number of shares issuable under the option plan by 5,900,000 to 11,900,000 and established an annual limit of 200,000 on the number of shares for which options may be granted to an individual. Activity in 1992, 1993 and 1994 is shown below:

	Shares	Options Price
Outstanding at January 1, 1992	567,546	$20.07-$28.74
Granted	178,900	$28.00-$31.49
Exercised	(56,759)	$20.07-$27.53
Surrendered upon exercise of SARs	(29,564)	$20.07-$26.13
Lapsed	(6,605)	$22.00-$27.53
Outstanding at December 31, 1992	653,518	$20.07-$31.49
Adjustment for First Colony spin-off	238,711	$13.22-$20.73
Exercised	(71,865)	$13.22-$28.74
Surrendered upon exercise of SARs	(59,212)	$14.49-$26.13
Lapsed	(153,539)	$15.94-$31.49
Outstanding at December 31, 1993	607,613	$13.22-$20.73
Granted	3,042,000	$12.50
Adjustment for Albemarle spin-off	168,650	$ 9.00-$14.11
Exercised	(73,475)	$ 9.00-$17.20
Surrendered upon exercise of SARs	(48,402)	$ 9.86-$18.85
Lapsed	(413,112)	$ 9.86-$20.73
Outstanding at December 31, 1994	3,283,274	$ 9.00-$14.11

All of the unexercised options and related SARs granted prior to 1994 were exercisable at December 31, 1994. None of the stock options and related SARs granted in 1994 were exercisable at December 31, 1994. On December 31, 1993 and 1994, 3,053,552 and 6,156,014 shares, respectively, were available for grant.

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 1,300 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 two to six years following the grant. All options expire ten years after 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 the 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 canceled and as options are exercised the corresponding SAR's are canceled.

Option and SAR activity is as follows:

	Number of Shares		Average Option
	Options	SAR's	Price
February 23, 1991 Outstanding	1,774,960	922,420	$18.90
1992 Activity			
Granted	370,600		28.73
Options exercised	(70,701)	(59,211)	10.29
SAR's exercised	(85,597)	(85,597)	9.95
Canceled	(30,280)	(8,280)	23.39
February 29, 1992 Outstanding	1,958,982	769,332	21.39
1993 Activity			
Granted	432,700		23.43
Options exercised	(35,047)	(35,047)	7.55
SAR's exercised	(81,677)	(81,677)	7.84
Canceled	(26,400)	(5,800)	24.88
February 27, 1993 Outstanding	2,248,558	646,808	22.45
1994 Activity			
Granted	581,500		23.39
Options exercised	(42,456)		7.36
SAR's exercised	(87,686)	(87,686)	12.63
Canceled	(41,994)	(7,244)	24.07
February 26, 1994 Outstanding	2,657,922	510,642	23.19
Exercisable	1,257,002	458,841	21.80
Available for future grants	2,837,760	NONE	

ITT CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Stock Incentive Plans

The Corporation's stock option incentive plans provide for the awarding of options on common shares to employees, exercisable over ten-year periods. Certain options become exercisable upon the attainment of specified market price appreciation of the Corporation's common shares, or at nine years after the date of grant, while the remaining options become exercisable over a three-year period commencing with the date of grant. The exercise price per share is the fair market value on the date each option is granted. The following table summarizes the activity in common shares subject to options for the three years ended December 31, 1994:

	Option Price	Shares (thousands)
January 1, 1992	$23.00-$61.13	4,077
Granted	$59.25-$70.75	110
Exercised	$23.00-$60.63	(434)
Cancelled or expired	$44.38-$51.00	(50)
December 31, 1992	$31.00-$70.75	3,703
Granted	$72.63-$93.50	1,764
Exercised	$31.00-$66.75	(1,910)
Cancelled or expired	$44.38-$55.25	(43)
December 31, 1993	$32.28-$93.50	3,514
Adjustment for Rayonier spin-off		304
Granted	$81.13-$91.14	2,212
Exercised	$32.38-$84.16	(260)
Cancelled or expired	$44.49-$92.00	(182)
December 31, 1994	$29.62-$91.14	5,588

In March of 1994, the number and exercise price of all options outstanding were adjusted to recognize the effect of the Rayonier spin-off. This adjustment increased the number of shares and reduced the exercise price to reflect the value of the Rayonier shares transferred to ITT's shareholders.

As of December 31, 1994 and 1993, options for 1,914,000 and 1,684,000 shares, respectively, were exercisable under the Corporation's incentive plans and at year-end 1994, 212,000 shares were available for future grants. Effective January 1, 1995, option shares available for future grants increased to 2,390,000 as a result of the allotment formula established in the 1994 Incentive Stock Plan. The incentive stock plans also provide for the awarding of restricted stock to employees which is subject to a restriction period and cannot be sold, exchanged, pledged, or otherwise disposed of during that period. During 1994, 31,500 of such shares were awarded with restriction periods ranging from one to six years.

THE QUAKER OATS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Employee Stock Option and Award Plans

In fiscal 1990, the Company's shareholders approved the adoption of The Quaker Long Term Incentive Plan of 1990 (the "Plan"). The purpose of the Plan is to promote the interests of the Company and its shareholders by providing the officers and other key employees with additional incentive and the opportunity through stock ownership to increase their proprietary interest in the Company and their personal interest in its continued success. The Plan provides for benefits to be awarded in a variety of ways, with stock options being used most frequently. Nine million shares of common stock have been authorized for grant under the Plan. Previously, stock options were issued under the 1984 Long Term Incentive Plan, which expired by its terms on December 31, 1990.

Stock options may be granted for the purchase of common stock at a price not less than the fair market value on the date of grant. Portions of the fiscal 1992 and 1993 option awards were granted at exercise prices higher than the fair market value on the date of grant. Options are generally exercisable after one or more years and expire no later than 10 years from the date of grant. As of June 30, 1994, 691 persons held such options. Changes in stock options outstanding were as follows:

	Shares	Option Price (Per Share)
Balance as of June 30, 1991	3,425,718	$ 8.30-57.00
Adjustment due to Fisher-Price spin-off	293,241	—
Granted	1,492,792	70.69-88.36
Exercised	(564,540)	7.64-52.50
Expired or terminated	(89,683)	7.64-88.36
Balance as of June 30, 1992	4,557,528	9.83-88.36
Granted	1,602,646	63.56-79.45
Exercised	(780,724)	9.83-70.69
Expired or terminated	(83,303)	9.83-88.36
Balance as of June 30, 1993	5,296,147	14.03-88.36
Granted	1,448,265	68.88-69.06
Exercised	(312,042)	14.03-70.69
Expired or terminated	(141,635)	26.42-88.36
Balance as of June 30, 1994	6,290,735	$17.53-88.36

As of June 30, 1994, options for 3,398,920 shares were exercisable and the average per share option price of unexercised options expiring during the period January 1995 to September 2003 was $63.95.

In July 1991, the number and exercise price of all options outstanding were adjusted for the Fisher-Price spin-off. This adjustment increased the number of options outstanding by 293,241 and decreased the exercise price of the options outstanding by approximately 8 percent.

Under the Plan, restricted stock awards grant shares of the Company's common stock to key officers and employees. These shares are subject to a restriction period from the date of grant, during which they may not be sold, assigned, pledged or otherwise encumbered. The number of shares of the Company's Common Stock awarded were 23,200, 70,800 and 24,000 in fiscal 1994, 1993 and 1992, respectively. Restrictions on these awards lapse after a period of time designated by the Compensation Committee of the Board of Directors.

STOCK PURCHASE PLANS

THE BLACK & DECKER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14 (In Part): Stock Option and Purchase Plans

Under the 1991 Employees Stock Purchase Plan (and its predecessor plan), employees may subscribe to purchase shares of the Corporation's common stock at the lower of 90% of market value on the date offered or on the date purchased.

Transactions under these plans are summarized as follows:

	Common Shares Subscribed	Prices
December 31, 1993	216,629	$16.50
Subscriptions	157,815	19.13
Purchases	208,529	16.25
Cancellations	13,035	16.25-19.13
December 31, 1994	152,880	19.13
Shares purchased during the year ended December 31, 1993	87,064	16.75
Shares purchased during the year ended December 31, 1992	332,061	11.50

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Employee Benefit Plans

Stock Purchase Plan

Under the Employees' Stock Purchase Plan, participating subsidiaries match 50% of amounts contributed by employees. All contributions are invested in the common stock of the Company. The plan acquired 78,899 shares (1994), 69,409 shares (1993) and 81,839 shares (1992) of the Company's common stock on the open market. At October 31, 1994, the Stock Purchase Plan held 466,427 shares of the Company's common stock. Charges to income amounted to $472,000 (1994), $385,000 (1993) and $414,000 (1992).

DOW JONES & COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Stock Purchase, Stock Option and Executive Incentive Plans

Stock Purchase Plan: Under the terms of the Dow Jones 1990 Employee Stock Purchase Plan, eligible employees may purchase shares of the company's common stock based on compensation through payroll deductions or lump-sum payment. The purchase price for payroll deductions is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. Lump-sum purchases are made during the offering period at the lower of 85% of the fair market value of the stock on the first day of the purchase period or the payment date.

The activity in the plan was as follows:

		Shares Subscribed	
	Price	1994	1993
Balance, January 1		143,524	140,091
Shares subscribed		232,238	213,782
Purchases	$23.70 to $26.56	(220,315)	(200,711)
Terminated or canceled		(10,037)	(9,638)
Balance, December 31		145,410	143,524

At December 31, 1994, there were 792,149 shares available for future offerings.

FURON COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Employee Benefit Plans

Employee Stock Purchase Plan

Effective November 1, 1994 the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed one year of service an opportunity to purchase shares of its common stock through payroll deductions, up to 10% of eligible compensation. Annually, on October 31, participant account balances are used to purchase shares of stock at the lesser of 85 percent of the fair market value of shares on November 1 (grant date) or October 31 (exercise date). The aggregate number of shares purchased by an employee may not exceed 5,000 shares annually (subject to limitations imposed by the Internal Revenue Code). The stock purchase plan expires on October 31, 2004. A total of 200,000 shares are available for purchase under the plan. There were no shares issued under the plan during fiscal 1995.

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

	1994	**1993**	**1992**	**1991**
Common stock				
Cost of treasury stock shown as stockholders' equity deduction	342	349	341	349
Par or stated value of treasury stock deducted from issued stock of the same class	23	16	24	28
Cost of treasury stock deducted from stock of the same class	2	9	13	6
Other	6	6	4	5
Total Presentations	**373**	**380**	**382**	**388**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	2	2	5	3
Par or stated value of treasury stock deducted from issued stock of the same class	2	1	—	3
Other	2	2	2	3
Total Presentations	**6**	**5**	**7**	**9**
Number of Companies				
Disclosing treasury stock	373	380	381	388
Not disclosing treasury stock	227	220	219	212
Total Companies	**600**	**600**	**600**	**600**

Cost Of Treasury Stock Shown As Reduction Of Stockholders' Equity

DIXIE YARNS, INC. (DEC)

	1994	1993
STOCKHOLDERS' EQUITY		
Common Stock ($3 par value per share): Authorized 80,000,000 shares, issued and outstanding, including shares in treasury — 13,857,642 shares in 1994 and 13,852,233 shares in 1993	$ 41,572,926	$ 41,556,699
Class B Common Stock ($3 par value per share): Authorized 16,000,000 shares, issued and outstanding — 735,228 shares in 1994 and 1993	2,205,684	2,205,684
Additional paid-in capital	131,709,579	131,684,054
Retained earnings	54,626,472	60,302,834
Minimum pension liability adjustment	(4,329,565)	(4,981,943)
	225,785,096	230,767,328
Less Common Stock in treasury at cost — 3,375,990 shares in 1994 and 3,356,646 shares in 1993	55,277,336	55,085,860
	170,507,760	175,681,468

FERRO CORPORATION (DEC)

(Dollars in Thousands)	1994	1993
Shareholders' Equity (note 5)		
Serial convertible preferred stock, without par value. Authorized 2,000,000 shares; 1,520,215 shares issued	$ 70,500	$ 70,500
Guaranteed ESOP obligation	(37,503)	(44,076)
Common stock, par value $1 per share. Authorized 150,000,000 shares in 1994 and 75,000,000 shares in 1993; 31,549,083 shares issued	31,549	31,549
Paid-in capital	10,233	9,760
Earnings retained in the business	396,969	368,590
Foreign currency translation adjustment	(24,020)	(29,121)
Other	(1,550)	(3,690)
	446,178	403,512
Less cost of common stock held in treasury, 3,722,464 shares in 1994 and 2,413,091 shares in 1993	74,207	40,571
Less cost of convertible preferred stock held in treasury, 112,717 shares in 1994 and 89,355 shares in 1993	5,227	4,144
Total shareholders' equity	366,744	358,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Capital Stock

In 1989, Ferro issued 1,520,215 shares of 7% Series A ESOP Convertible Preferred Stock to National City Bank, trustee for the Ferro ESOP. The shares were issued at a price of $46.375 per share for a total consideration of $70,500,000. Each share of ESOP convertible preferred stock is convertible into 1.7325 shares of common stock. As the loans are repaid by the trustee, preferred shares are allocated to participating individual employee accounts. The Company is required to repurchase at the original issue price, for cash or common stock at the Company's option, the preferred shares allocated to an employee's ESOP account upon distribution of such account to the employee unless such shares have been converted to common stock. Each preferred share carries one vote, voting together with the common stock on most matters.

The Company purchased 1,492,900 shares of common stock in 1994 at an aggregate cost of $37,061,000; did not purchase any shares of common stock during 1993; and during 1992, it purchased 91,100 shares of common stock at an aggregate cost of $2,351,000. At December 31, 1994, the Company had remaining authorization under its current treasury stock purchase program to acquire an additional 1,416,000 shares.

NATIONAL SERVICE INDUSTRIES, INC. (AUG)

(In thousands, except share data)	1994	1993
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, $1 par value, 80,000,000 shares authorized, 57,918,978 shares issued in 1994 and 1993	$ 57,919	$ 57,919
Paid-in capital	7,684	7,299
Retained earnings	705,504	673,399
	771,107	738,617
Less—		
Treasury stock, at cost (8,678,666 shares in 1994 and 8,357,539 shares in 1993)	43,722	34,594
Total Stockholders' Equity	727,385	704,023

THE STANLEY WORKS (DEC)

(Millions of Dollars)	1994	1993
Shareholders' Equity		
Preferred Stock, without par value:		
Authorized and unissued 10,000,000 shares		
Common Stock, par value $2.50 per share:		
Authorized 110,000,000 shares; issued 46,171,705 shares in 1994 and 1993	$ 115.4	$ 115.4
Capital in excess of par value	70.1	73.1
Retained earnings	937.8	871.1
Foreign currency translation adjustment	(56.3)	(56.7)
ESOP debt	(253.7)	(261.5)
	813.3	741.1
Less: cost of common stock in treasury (1,722,330 shares in 1994 and 1,476,074 shares in 1993)	69.1	60.5
Total Shareholders' Equity	744.2	680.9

Par Value Of Treasury Stock Deducted From Issued Stock

TYCO INTERNATIONAL, LTD. (JUN)

(In thousands, except share data)	1994	1993
Shareholders' Equity:		
Preferred stock, $1 par value, authorized 2,000,000 shares; none outstanding	$ —	$ —
Common stock, $.50 par value, authorized 180,000,000 shares; outstanding 46,351,393 shares in 1994 and 46,321,923 shares in 1993, net of reacquired shares of 7,600,747 in 1994 and 7,614,092 in 1993	23,176	23,161
Capital in excess of par value, net of deferred compensation of $9,318 in 1994 and $12,314 in 1993	371,785	366,278
Currency translation adjustment	(36,893)	(84,696)
Retained earnings	720,991	614,967
	1,079,059	919,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Capital Stock

In July 1994, the Board of Directors authorized the repurchase of up to 2.9 million of its common shares, which represents approximately 10% of the shares to be issued in connection with the Kendall transaction. See Note 17.

In June 1994, the Company repurchased for $600,000 a warrant which entitled the holder, Tyco Investments (Australia) Limited, formerly Wormald International Limited, to purchase five million Tyco shares at a price of $70 per share.

In August 1992, the Company repurchased 520,000 shares of its common stock at $32.625 per share from its former Chairman of the Board for an aggregate purchase price of $17.0 million. The total cost of reacquired shares at June 30, 1994 and 1993 was $70.0 million and $70.1 million, respectively.

VISHAY INTERTECHNOLOGY, INC. (DEC)

(In thousands, except per share and share amounts)	1994	1993
STOCKHOLDERS' EQUITY		
Preferred Stock, par value $1.00 a share: Authorized — 1,000,000 shares; none issued		
Common Stock, par value $.10 a share: Authorized — 35,000,000 shares; 22,572,963 and 17,639,081 shares outstanding after deducting 51,201 and 47,441 shares in treasury	$ 2,257	$ 1,763
Class B convertible Common Stock, par value $.10 a share: Authorized — 15,000,000 shares; 3,773,772 and 3,590,232 shares outstanding after deducting 127,064 and 125,965 shares in treasury	377	359
Capital in excess of par value	509,966	288,980
Retained earnings	53,734	105,849
Foreign currency translation adjustment	4,584	(13,109)
Unearned compensation	(20)	(60)
Pension adjustment	(5,810)	(7,279)
	565,088	376,503

OTHER ACCOUNTS SHOWN IN STOCKHOLDERS' EQUITY SECTION

Many of the survey companies present accounts other than Capital Stock, Additional Paid-In Capital, Retained Earnings, and Treasury Stock in the stockholders' equity section of the balance sheet. Other stockholders' equity accounts appearing on the 1994 balance sheets of the survey companies include, but are not limited to, cumulative translation adjustments, guarantees of ESOP debt, unearned or deferred compensation related to employee stock award plans, amounts owed to a company by employees for loans to buy company stock and unrealized losses/gains related to investments in certain debt and equity securities. Table 2-38 shows the number of survey company balance sheets presenting other stockholders' equity accounts.

Three hundred ten 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			
	1994	**1993**	**1992**	**1991**
Cumulative translation adjustments	395	384	367	353
Minimum pension liability adjustments	107	104	63	40
Unearned compensation	95	99	86	79
Guarantees of ESOP debt	92	96	98	90
Unrealized losses/gains on certain investments	80	26	18	18
Receivables from sale of stock	15	13	14	17

Cumulative Translation Adjustments

BROWN GROUP, INC. (JAN)

Thousands, except number of shares	1995	1994
Shareholders' Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares outstanding	$ —	$ —
Common stock, $3.75 par value, 100,000,000 shares authorized; 17,969,892 and 17,619,768 shares outstanding	67,388	66,075
Additional capital	46,957	35,979
Cumulative translation adjustment	(5,556)	(3,287)
Unamortized value of restricted stock	(10,878)	(6,827)
Retained earnings	151,816	141,923
Total Shareholders' Equity	249,727	233,863

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Translation of Foreign Currencies

Assets and liabilities of subsidiaries, other than those located in highly inflationary countries, are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the year. The related translation adjustments are reflected in the cumulative translation adjustment section of the Consolidated Statement of Shareholders' Equity. Foreign currency gains and losses resulting from transactions and the translation of financial statements of subsidiaries in highly inflationary countries are included in results of operations.

THE PERKIN-ELMER CORPORATION (JUN)

(Dollar amounts in thousands)	1994	1993
Shareholders' Equity		
Capital stock		
Preferred stock $1 par value: shares authorized 1,000,000; none issued		
Common stock $1 par value: shares authorized 90,000,000 — 1994, 60,000,000 — 1993; shares issued 45,599,755 — 1994 and 1993	$ 45,600	$ 45,600
Capital in excess of par value	178,739	178,739
Retained earnings	181,130	163,861
Cumulative translation adjustments	5,521	(3,931)
Minimum pension liability	(36,259)	(31,859)
Treasury stock, at cost (shares: 1994 — 2,651,049; 1993 — 1,655,766)	(84,299)	(45,805)
Total shareholders' equity	290,432	306,605

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies and Practices

Foreign Currency. Assets and liabilities of foreign operations, where the functional currency is the local currency, are translated into U.S. dollars at the fiscal year end exchange rate. The related translation adjustments are recorded as cumulative translation adjustments, a separate component of shareholders' equity. Revenues and expenses are translated using average exchange rates prevailing during the year. Foreign currency transaction gains and losses, as well as translation adjustments for assets and liabilities of foreign operations where the functional currency is the dollar, are included in net income (loss). Foreign currency realized and unrealized gains and losses for the years presented were not material.

Minimum Pension Liability Adjustments

ARVIN INDUSTRIES, INC. (DEC)

(Dollars in millions, except per share amounts)	1994	1993
Shareholders' Equity		
Capital Stock:		
Preferred shares (no par value, authorized 8,978,058 in 1994 and 1993; none issued and outstanding)	$ —	$ —
Common shares ($2.50 par value, authorized 50,000,000; issued 24,163,510 in 1994 and 24,076,912 in 1993)	60.4	60.2
Capital in excess of par value	206.6	204.7
Retained earnings	194.1	227.3
Minimum pension liability adjustment	(.6)	—
Cumulative translation adjustment	(20.7)	(26.7)
Common shares held in treasury (at cost)	(43.5)	(44.9)
Total shareholders' equity	396.3	420.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in tables in millions unless noted otherwise)

Note 11 (In Part): Pension Plans:

The following tables summarize the funded status of the Company's pension plans:

1994	Plans for which assets exceed accumulated benefits	Plans for which accumulated benefits exceed assets
Actuarial present value of benefit obligation		
Vested	$ (144.6)	$ (89.4)
Nonvested	(9.6)	(6.4)
Accumulated benefit obligation	(154.2)	(95.8)
Projected impact of future salary increases	(29.4)	(.7)
Projected benefit obligation	(183.6)	(96.5)
Plan assets at market value	204.7	87.9
Projected benefit obligation less than (in excess of) plan assets	21.1	(8.6)
Unamortized initial asset	(8.6)	(4.7)
Unrecognized (gain) loss on assets	(6.2)	6.3
Unrecognized prior service cost	4.3	7.3
Amount reflected as an intangible asset[1]	—	(7.3)
Amount reflected as minimum pension liability[1]	—	(.8)
Prepaid pension cost (pension liability)	$ 10.6	$ (7.8)

[1] The provisions of SFAS No. 87, "Employers' Accounting for Pensions," require the recognition of an additional minimum liability for each defined benefit plan for which the accumulated benefit obligation exceeds plan assets. This amount has been recorded as a long-term liability with an offsetting intangible asset. Because the asset recognized may not exceed the amount of unrecognized prior service cost and transition obligation on an individual plan basis, the balance, net of tax benefits, is reported as a separate reduction of shareholders' equity at January 1, 1995.

BADGER METER, INC. (DEC)

	1994	1993
Shareholders' equity:		
Common Stock, $1 par; authorized 5,000,000 shares; issued 1,546,912 shares in 1994, 1,529,342 shares in 1993	$ 1,546,912	$ 1,529,342
Less: Treasury stock, 358,305 shares in 1994, 389,038 shares in 1993	(358,305)	(389,038)
	1,188,607	1,140,304
Class B Common Stock, $.10 par; authorized 5,000,000 shares; issued 562,785 shares in 1994, 562,785 shares in 1993	56,278	56,278
Capital in excess of par value	7,708,277	6,693,011
Reinvested earnings	22,164,608	20,143,803
Less: Employee benefit stock	(1,378,747)	(1,663,968)
Pension liability adjustment (Note 7)	(388,273)	(295,304)
Total shareholders' equity	29,350,750	26,074,124

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Employee Benefit Plans

A. Pension Plans

The provisions of FAS No. 87, "Employers' Accounting for Pensions," require the recognition of an additional minimum liability for each defined benefit plan for which the accumulated benefit obligation exceeds plan assets. This amount has been recorded as a long-term liability with an offsetting intangible asset. Because the asset recognized may not exceed the amount of unrecognized prior service cost and transition obligation on an individual plan basis, the balance, net of tax benefits, is reported as a separate reduction of shareholders' equity at December 31, 1994 and 1993, as follows:

	1994	1993
Minimum liability adjustment	$ 1,679,101	$ 1,116,727
Intangible asset	1,047,828	638,423
	631,273	478,304
Tax benefit	243,000	183,000
Pension liability adjustment to shareholders' equity	$ 388,273	$ 295,304

KERR GROUP, INC. (DEC)

(In thousands, except per share amounts)	1994	1993
Stockholders' equity		
Preferred Stock, 487 shares authorized and issued, at liquidation value of $20 per share	$ 9,748	$ 9,748
Common Stock, $.50 par value per share, 20,000 shares authorized, 4,220 shares issued in 1994 and 4,210 shares issued in 1993	2,110	2,105
Additional paid-in capital	27,210	27,145
Retained earnings	11,995	9,420
Treasury Stock, at cost, 543 shares	(12,803)	(12,803)
Excess of additional pension liability over unrecognized prior service cost, net of tax benefits	(5,207)	(6,835)
Notes receivable from ESOP Trusts	—	(716)
Total stockholders' equity	33,053	28,064

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pensions And Other Postretirement Benefits

Financial Accounting Standards Board Statement No. 87 (FASB No. 87) requires that a company record an additional minimum pension liability to the extent that a company's accumulated pension benefit obligation exceeds the fair value of pension plan assets and accrued pension liabilities. This additional minimum pension liability is offset by an intangible asset, not to exceed prior service costs of the pension plan. Amounts in excess of prior service costs are reflected as a reduction in stockholders' equity, net of related tax benefits.

Prior to 1993, the Company accounted for retiree health care and life insurance benefits on a pay-as-you-go basis. Effective January 1, 1993, the Company adopted Financial Accounting Standards Board Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (FASB No. 106). As more fully described in Note 5, the Company has elected to amortize the impact of FASB No. 106 ratably over 20 years.

LACLEDE STEEL COMPANY (DEC)

(In Thousands of Dollars)	1994	1993
Stockholders' Equity:		
Preferred stock without par value, authorized 2,000,000 shares with none issued	$ —	$ —
Common stock $13.33 par value, authorized 5,000,000 shares, issued and outstanding 4,056,140 shares	54,081	54,081
Capital in excess of par	247	247
Retained earnings	7,822	3,360
Minimum pension liability adjustment ...	(8,407)	(15,098)
Total stockholders' equity	53,743	42,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefits:

Defined Benefit Pension Plans

In accordance with FASB Statement No. 87, the Company has recorded an additional minimum pension liability for underfunded plans of $32,562,000 at December 31, 1994 and $44,909,000 at December 31, 1993, representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. A corresponding amount is recognized as an intangible asset except to the extent that these additional liabilities exceed related unrecognized prior service cost and net transition obligation, in which case the increase in liabilities is charged directly to stockholders' equity. As of December 31, 1994, $14,012,000 of the excess minimum pension liability resulted in a charge to equity, net of income taxes, of $8,407,000. As of December 31, 1993, the excess minimum liability was $24,352,000 and the after-tax charge to equity was $15,098,000.

Unearned Compensation Relating To Stock Award Plans

ALPHA INDUSTRIES, INC. (MAR)

(In thousands except share and per share amounts)	1994	1993
Stockholders' equity		
Common stock par value $.25 per share: authorized 30,000,000 shares; issued 7,787,689 and 7,736,157 shares (Note 9)	$ 1,947	$ 1,934
Additional paid-in capital (Note 9)	27,325	27,193
Retained earnings (deficit)	(4,585)	6,881
	24,687	36,008
Less — Treasury shares 262,829 and 254,496 shares at cost	331	310
Unearned compensation—restricted stock (Note 9)	95	133
Total stockholders' equity	24,261	35,565

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common Stock

Long-Term Incentive Plan

The Company has a Long-Term Incentive Plan adopted in 1986 pursuant to which stock options, with or without stock appreciation rights, may be granted and restricted stock awards and book value awards may be made.

Common Stock Options

These options may be granted in the form of incentive stock options or non-qualified stock options. The option price may vary at the discretion of the Compensation Committee but shall not be less than the greater of fair market value or par value. The option term may not exceed ten years. The options may be exercised in cumulative annual increments commencing one year after the date of grant.

Restricted Stock Awards

For fiscal years 1994, 1993, and 1992, respectively, a total of 5,000, 15,000 and 13,000 restricted shares of the Company's common stock were granted to certain employees.

The market value of shares awarded were $16,000, $54,000 and $39,000 for fiscal 1994, 1993, and 1992, respectively. These amounts were recorded as unearned compensation — restricted stock and are shown as a separate component of stockholders' equity. Unearned compensation is being amortized to expense over the five year vesting period and amounted to $44,000, $42,000, and $40,000 in fiscal 1994, 1993, and 1992, respectively.

THE COCA-COLA COMPANY (DEC)

(In millions except per share data)	1994	1993
Share-Owners' Equity		
Common stock, $.25 par value Authorized: 2,800,000,000 shares Issued: 1,707,627,955 shares in 1994; 1,703,526,299 shares in 1993	$ 427	$ 426
Paid-in capital	1,173	1,086
Reinvested earnings	11,006	9,458
Unearned compensation related to outstanding restricted stock	(74)	(85)
Foreign currency translation adjustment	(272)	(420)
Unrealized gain on securities available-for-sale	48	—
	12,308	10,465
Less treasury stock, at cost (431,694,661 shares in 1994; 406,072,817 shares in 1993)	7,073	5,881
	5,235	4,584

HARRIS CORPORATION (JUN)

In millions	1994	1993
Shareholders' Equity		
Preferred Stock, without par value:		
Authorized—1,000,000 shares; issued—none		
Common Stock, $1.00 par value:		
Authorized—100,000,000 shares; issued and outstanding 39,298,118 shares in 1994 and 39,604,496 shares in 1993	$ 39.3	$ 39.6
Other capital	230.3	216.3
Retained earnings	943.1	906.7
Unearned compensation	(3.2)	(8.3)
Cumulative translation adjustments	(21.5)	(13.0)
Total shareholders' equity	1,188.0	1,141.3

NOTES TO FINANCIAL STATEMENTS

Shareholders' Equity

Changes in shareholders' equity accounts other than retained earnings are summarized as follows:

(In millions)	Common Stock Amount	Other Capital	Unearned Compensation	Cumulative Translation Adjustments
BALANCE AT JULY 1, 1991	$38.9	$196.5	$(8.9)	$ .2
Shares issued under Stock Option Plan (56,722 shares)	.1	1.5	—	—
Shares granted under Stock Incentive Plans (214,250 shares)	.2	5.3	(5.5)	—
Compensation expense	—	—	1.6	—
Termination of shares granted under Stock Incentive Plans (39,442 shares)	—	(1.3)	1.3	—
Shares sold under Employee Stock Purchase Plans (23,200 shares)	—	.4	—	—
Foreign currency translation adjustments	—	—	—	1.8
BALANCE AT JUNE 30, 1992	39.2	202.4	(11.5)	2.0
Shares issued under Stock Option Plan (299,811 shares)	.3	9.7	—	—
Shares granted under Stock Incentive Plans (228,750 shares)	.2	6.2	(6.5)	—
Compensation expense	—	—	7.3	—
Termination of shares granted under Stock Incentive Plans (75,192 shares)	(.1)	(2.3)	2.4	—
Shares sold under Employee Stock Purchase Plans (10,294 shares)	—	.3	—	—
Foreign currency translation adjustments	—	—	—	(15.0)
BALANCE AT JUNE 30, 1993	39.6	216.3	(8.3)	(13.0)
Shares issued under Stock Option Plan (315,747 shares)	.3	11.1	—	—
Shares granted under Stock Incentive Plans (257,909 shares)	.3	9.6	(9.8)	—
Compensation expense	—	—	10.7	—
Termination of shares granted under Stock Incentive Plans (126,638 shares)	(.1)	(4.1)	4.2	—
Shares sold under Employee Stock Purchase Plans (47,904 shares)	—	2.1	—	—
Foreign currency translation adjustments	—	—	—	(8.5)
Purchase and retirement of Common Stock for treasury (801,300 shares)	(.8)	(4.7)	—	—
BALANCE AT JUNE 30, 1994	$39.3	$230.3	$(3.2)	$(21.5)

Stock Options and Awards (In Part)

Unearned compensation resulting from the stock incentive plan and charged to shareholders' equity was $10,646,000 in 1994, $6,434,000 in 1993 and $5,490,000 in 1992. Unearned compensation is amortized to expense over the vesting period of the performance shares and is adjusted for changes in the market value of the Common Stock.

MCGRAW-HILL, INC. (DEC)

	1994	1993
Shareholders' equity (Note 9)		
$1.20 preference stock, $10 par value: authorized—891,256 shares; outstanding—1,514 shares in 1994 and 1,599 in 1993	$ 15	$ 16
Common stock, $1 par value: authorized—150,000,000 shares; issued—51,459,116 shares in 1994 and 51,458,836 in 1993	51,459	51,459
Additional paid-in capital	69,314	63,512
Retained income	923,052	834,250
Foreign currency translation adjustments	(45,224)	(28,577)
	998,616	920,660
Less—common stock in treasury—at cost (1,787,007 shares in 1994 and 2,045,457 in 1993)	76,987	87,687
unearned compensation on restricted stock	8,577	9,965
Total shareholders' equity	913,052	823,008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Stock Plan Awards

A total of 117,976 restricted shares were issued at an average market value of $67.87 in 1994. In 1993, 98,209 restricted shares were issued at an average market value of $61.11. The awards are recorded at the market value on the date of grant. Initially, the total market value of the shares is treated as unearned compensation and is charged to expense over the respective vesting periods. For performance incentive shares, adjustments are also made to expense for changes in market value and achievement of financial goals. Unearned compensation charged to expense was $5.2 million for 1994, $3.0 million for 1993 and $3.0 million for 1992. Restricted shares outstanding at the end of the year were 274,947 shares in 1994, 271,120 shares in 1993, and 357,219 shares in 1992.

HERMAN MILLER, INC. (MAY)

In Thousands Except Per Share Data	1994	1993
Shareholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	$ —	$ —
Common stock, $.20 par value (60,000,000 shares authorized, 24,589,825 and 25,003,963 shares issued and outstanding in 1994 and 1993)	4,918	5,001
Additional paid-in capital	16,649	29,863
Retained earnings	279,161	251,831
Cumulative translation adjustment	(3,460)	(1,349)
Unearned stock grant compensation	(943)	(1,404)
Total Shareholders' Equity	296,325	283,942

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock Grants

The company has granted restricted common shares to certain key employees. Shares were awarded in the name of the employee, who has all rights of a shareholder, subject to certain restrictions on transferability and a risk of forfeiture. The forfeiture provisions on the awards expire annually, over a period not to exceed six years, as certain financial goals are achieved. During fiscal 1994, the forfeiture provisions expired on 26,100 shares. No shares were granted or forfeited during the year. As of May 28, 1994, 53,400 shares remained subject to forfeiture provisions and 93,000 shares remained subject to restrictions on transferability.

The remaining shares subject to forfeiture provisions have been recorded as unearned stock grant compensation and are 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 $.5, $.4, and $.2 million in 1994, 1993, and 1992, respectively.

Guarantees Of ESOP Debt

DONALDSON COMPANY, INC. (JUL)

(Thousands of dollars)	1994	1993
Shareholders' Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized, no shares issued	$ —	$ —
Common stock, $5.00 par value, 40,000,000 shares authorized, 27,063,407 and 13,927,274 issued in 1994 and 1993	135,317	69,636
Paid-in capital	—	1,284
Retained earnings	65,654	117,293
Cumulative translation adjustments	8,244	5,646
Treasury common stock— 552,951 and 286,205 shares in 1994 and 1993, at cost	(11,853)	(9,876)
Receivable from ESOP	(7,665)	(9,975)
Total Shareholders' Equity	189,697	174,008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (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. The ESOP borrowed $21 million from the Company to purchase newly issued shares of Common Stock. The loan obligation of the ESOP is considered unearned employee benefit expense and, as such, is recorded as a reduction of the Company's shareholders' equity. The Company's contributions to the ESOP, plus dividends paid on unallocated Common Stock held by the ESOP, are used to repay the loan principal and interest. Both the loan obligation and the unearned benefit expense are reduced by the amount of the loan principal repayments made by the ESOP. The ESOP contribution expense totaled $2,020,000, $1,745,000 and $1,590,000 in 1994, 1993 and 1992, respectively.

JOHNSON & JOHNSON (DEC)

(Dollars in Millions)	1994	1993
Stockholders' equity		
Preferred stock—without par value (authorized and unissued 2,000,000 shares)	$ —	$ —
Common stock—par value $1.00 per share (authorized 1,080,000,000 shares; issued 767,392,000 and 767,372,000 shares)	767	767
Note receivable from employee stock ownership plan (Note 14)	(73)	(84)
Cumulative currency translation adjustments	(35)	(338)
Retained earnings	8,966	7,727
	9,625	8,072
Less common stock held in treasury, at cost (124,382,000 and 124,391,000 shares)	2,503	2,504
Total stockholders' equity	7,122	5,568

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Savings Plan

The Company has a voluntary 401(k) savings plan designed to enhance the existing retirement program covering eligible domestic employees. The Company matches 75% of each employee's contributions, with the match percentage applying to a maximum of 6% of base salary.

One-third of the Company match is paid in Company stock under an employee stock ownership plan (ESOP). In 1990, to establish the ESOP, the Company loaned $100 million to the ESOP Trust to purchase shares of Company stock on the open market. In exchange, the Company received a note, the balance of which is recorded as a reduction of stockholders' equity.

Company contributions to the savings plan were $41 million in 1994, $42 million in 1993 and $40 million in 1992.

Unrealized Investment Losses/Gains

AMP INCORPORATED (DEC)

(dollars in thousands)	1994	1993
Shareholders' Equity:		
Common stock, without par value—Authorized 700,000,000 shares, issued 224,640,000 shares	$ 12,480	$ 12,480
Other capital	82,379	81,400
Cumulative translation adjustments	131,711	68,367
Net unrealized investment gains	21,585	—
Retained earnings	2,329,691	2,131,436
Treasury stock, at cost	(243,431)	(237,328)
Total shareholders' equity	2,334,415	2,056,355

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Investments—On January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting For Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). This standard requires that certain debt and equity securities be adjusted to market value at the end of each accounting period. Unrealized market value gains and losses are charged to earnings if the securities are traded for short-term profit. Otherwise, such unrealized gains and losses are charged or credited to a separate component of shareholders' equity. SFAS No. 115 was adopted prospectively, and had no impact on earnings. Prior to the adoption of this statement, such securities were carried at the lower of cost or market value.

Management determines the proper classifications of investments in obligations with fixed maturities and marketable equity securities at the time of purchase and reevaluates such designations as of each balance sheet date. At December 31, 1994, all securities covered by SFAS No. 115 were designated as available for sale. Accordingly, these securities are stated at fair value, with unrealized gains and losses reported in a separate component of shareholders' equity. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the Consolidated Statements of Income.

4 (In Part): Securities Available For Sale

Differences between cost and market of $37,229,000 (less deferred taxes of $15,644,000) were credited to a separate component of shareholders' equity called "Net Unrealized Investment Gains."

BAKER HUGHES INCORPORATED (SEP)

(In thousands)	1994	1993
Stockholders' Equity:		
Preferred stock, $1 par value (authorized and outstanding 4,000,000 shares of $3.00 convertible preferred stock; $50 liquidation preference per share)	$ 4,000	$ 4,000
Common stock, $1 par value (authorized 400,000,000 shares; outstanding 140,889,000 shares in 1994 and 140,437,000 shares in 1993)	140,889	140,437
Capital in excess of par value	1,474,013	1,444,549
Retained earnings	125,276	159,277
Cumulative foreign currency translation adjustment	(102,915)	(137,615)
Unrealized loss on securities available for sale	(2,791)	
Total stockholders' equity	1,638,472	1,610,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments: The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective September 20, 1994. Investments in debt and equity securities, other than those accounted for by the equity method, are reported at fair value with unrealized gains or losses, net of tax, recorded as a separate component of stockholders' equity.

THE DEXTER CORPORATION (DEC)

In thousands of dollars	1994	1993
Shareholders' equity		
Common stock, par value $1 per share (authorized 100,000,000 shares; issued 24,983,907 shares in 1994 and 1993)	$ 24,984	$ 24,984
Additional paid-in capital	11,979	11,966
Retained earnings	328,401	311,928
Currency translation effects	(7,364)	(22,137)
Unrealized loss on investments	(1,468)	
Unearned compensation on restricted stock	(965)	
Treasury stock, at cost 634,403 shares in 1994 and 643,578 shares in 1993)	(11,934)	(13,446)
Total shareholders' equity	343,633	313,295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity. Shareholders' equity increased by $30.3 million in 1994 to $343.6 million representing a book value of $14.11 per share. Net income of $37.9 million and a currency translation impact of $14.8 million resulting from the weakening of the U.S. dollar increased shareholders' equity in 1994. The establishment of the 1994 Long-term Incentive Plan along with the exercise of existing stock options also increased shareholders' equity by $0.5 million. Offsetting these increases were reductions due to dividends declared of $21.4 million and the adoption of SFAS No. 115 which resulted in the recording of $1.5 million in unrealized losses for the period ended December 31, 1994. By adopting SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* in 1994, Dexter has investments that are classified as available-for-sale securities which are reported at fair market value, with unrealized gains and losses excluded from earnings and reported in shareholders' equity.

In 1990, the Board of Directors authorized a repurchase of up to 1,000,000 shares of the company's outstanding common stock. There were no purchases under the 1990 authorization during 1994. At the end of 1994, there were 634,403 shares held in treasury compared with 643,578 at the end of 1993 and 651,828 at the end of 1992. The reduction in shares held in 1994 and 1993 was due to the exercising of stock options.

EG&G, INC. (DEC)

(Dollars in thousands except per share data)	1994	1993
Stockholders' Equity		
Preferred stock — $1 par value, authorized 1,000,000 shares; none outstanding	$ —	$ —
Common stock — $1 par value, authorized 100,000,000 shares; issued 60,102,000 shares	60,102	60,102
Retained earnings	459,738	496,063
Cumulative translation adjustments	10,785	(8,287)
Unrealized gain on marketable investments (Note 7)	3,337	—
Cost of shares held in treasury; 4,978,000 shares in 1994 and 3,970,000 shares in 1993	(88,596)	(70,344)
Total Stockholders' Equity	445,366	477,534

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Investments

Effective January 3, 1994, the Company adopted SFAS No. 115 on accounting for certain investments in debt and equity securities. This new standard requires that available-for-sale investments in securities that have readily determinable fair values be measured at fair value in the balance sheet and that unrealized holding gains and losses for these investments be reported in a separate component of stockholders' equity until realized. At January 1, 1995, $3.3 million was reported as a separate component of stockholders' equity, representing the unrealized holding gains, net of deferred income taxes. At January 2, 1994, marketable investments had an aggregate market value of $13.1 million and gross unrealized gains of $6.3 million.

LOWE'S COMPANIES, INC. (JAN)

Dollars in Thousands	1995	1994
Shareholders' Equity		
Common Stock — $.50 Par Value;		
Fiscal / Issued and Outstanding		
1994 159,527,389		
1993 147,886,770	79,764	73,943
Capital in Excess of Par	554,838	202,962
Retained Earnings	792,891	596,764
Unearned Compensation — Restricted Stock Awards	(5,949)	—
Unrealized Loss on Available For Sale Securities, Net of Income Taxes of $886	(1,654)	—
Total Shareholders' Equity	1,419,890	873,669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments — The Company has a cash management program which provides for the investment of excess cash balances in financial instruments which have maturities of up to three years. Investments that are readily convertible to cash within three months of purchase are classified as cash equivalents. Investments with a maturity of between three months and one year are classified as short-term investments. Investments with maturities greater than one year are classified as long-term. Investments consist primarily of tax exempt notes and bonds, auction rate tax exempt securities, and municipal preferred tax exempt stock and eurodollar time deposits.

Effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which stipulates that debt securities not classified as held-to-maturity securities and all equity securities will be carried at fair value. Unrealized gains and losses on such securities will be included in earnings if the securities are classified as trading securities and will be excluded from earnings and reported as a separate component of shareholders' equity, net of the related income taxes, until realized if classified as available-for-sale. Debt securities classified as held-to-maturity securities will be carried at amortized cost. The Company has classified all investment securities as available-for-sale.

Receivables From Sale Of Stock

FEDDERS CORPORATION (AUG)

(Amounts in thousands, except per share data)	1994	1993
Stockholders' equity:		
Common Stock, $1 par value, 60,000,000 shares authorized, 19,641,659 and 18,613,559 issued at August 31, 1994 and 1993, respectively	$ 19,642	$ 18,614
Class A Stock, $1 par value, 30,000,000 shares authorized, 10,625,029 shares issued on September 9, 1994	10,625	—
Class B Stock, $1 par value, 7,500,000 shares authorized, 2,268,206 issued and outstanding at August 31, 1994 and 1993, respectively	2,268	2,268
Additional paid-in capital	51,423	47,571
Accumulated deficit	(24,764)	(35,128)
Cumulative translation adjustment	(169)	(130)
Notes due on Common Stock purchases (note 10)	(742)	—
	58,283	33,195
Less treasury stock, at cost, 654,410 shares of Common Stock	(8,966)	(8,966)
Total stockholders' equity	49,317	24,229

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Stock Option Plans

All stock option plans, as approved by the stockholders, provide for the granting to employees and officers of incentive stock options (as defined under current tax laws) and non-qualified stock options. All of the plans provide for the granting of non-qualified stock options to directors who are not employees. Stock options are exercisable one year after the date of grant and, if not exercised, will expire five years from the date of grant. Certain options are only exercisable when certain financial goals are met or at the end of five years.

For options exercised during a six-week period in early 1994, optionees were given the opportunity to pay two-thirds of the exercise price upon exercise and to defer the remaining balance until the earlier of July 31, 1995 or upon the sale of such stock. Such optionees executed non-recourse interest-bearing notes.

RESEARCH FRONTIERS INCORPORATED (DEC)

	1994	1993
Shareholders' equity:		
Capital stock—par value $0.0001 and $0.125 per share; authorized 100,000,000 and 20,000,000 shares, issued and outstanding 9,121,060 and 8,568,609 shares for 1994 and 1993 respectively	$ 912	$ 856,860
Additional paid-in capital	23,232,108	19,794,329
Accumulated deficit	(15,116,763)	(12,193,055)
	8,116,257	8,458,134
Notes receivable from officers (note 4)	(881,644)	(354,358)
Total shareholders' equity	7,234,613	8,103,776

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Notes Receivable from Officers

In 1987, the Company loaned one of its officers $412,500, of which $302,500 in principal remains outstanding after the officer repaid $134,085 in cash in December 1989. In 1992, the Company loaned this officer $72,133 which was repaid in 1993 and 1994, principally through the surrender of shares of the Company's common stock by the officer. In 1993, the Company loaned another officer $50,000, and in 1994, the Company loaned several officers an aggregate of $529,144. Each of the aforementioned loans are due in January 1998, relate to the purchase of common stock of the Company, are collateralized by the pledge of shares of common stock of the Company, may be prepaid in part or in full without notice or penalty, are represented by a promissory note which bears interest at a rate per annum equal to the broker call rate (6.5% at December 31, 1994) in effect on the first day of each calendar quarter, and permit repayment of the loan by delivery of securities of the Company having a fair market value equal to the balance of the loan outstanding. In January 1995, one officer repaid in full two of these loans with an aggregate principal balance of $299,644 principally through the surrender of 45,545 shares of the Company's common stock.

It is the Company's policy to record interest income on these notes as received.

Stock Repurchase Commitment

INLAND STEEL INDUSTRIES, INC. (DEC)

Dollars in Millions	1994	1993
Total liabilities	$2,621.3	$2,812.4
Temporary Equity		
Redeemable preferred stock, Series F, $1.00 par value, 185,000 shares issued and outstanding, redeemable at $1,000 per share (Note 4)	185.0	185.0
Common stock repurchase commitment (Note 4)	37.9	40.8
Stockholders' Equity		
Preferred stock, $1.00 par value, 15,000,000 shares authorized for all series including Series F, aggregate liquidation value of $154.9 in 1994 and $230.6 in 1993	3.2	4.7
Common stock, $1.00 par value; authorized—100,000,000 shares; issued—50,556,350 shares for 1994 and 47,854,208 shares for 1993	50.6	47.9
Capital in excess of par value	1,088.0	1,106.4
Accumulated deficit	(292.4)	(371.9)
Unearned compensation—ESOP	(100.5)	(112.2)
Common stock repurchase commitment (Note 4)	(37.9)	(40.8)
Treasury stock at cost—Common stock of 6,006,122 shares in 1994 and 6,767,139 shares in 1993	(200.9)	(236.5)
Cumulative translation adjustment	(.9)	—
Total stockholders' equity	509.2	397.6
Total liabilities, temporary equity, and stockholders' equity	$3,353.4	$3,435.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Redeemable Preferred Stock

In December 1989, the Company sold 185,000 shares of the Company's Series F Exchangeable Preferred Stock, $1.00 par value per share ("Series F Preferred Stock"), for $185 million to NS Finance III, Inc., an indirect wholly owned subsidiary of Nippon Steel Corporation ("NSC"). The preferred stock entitles the holder to cumulative annual dividends of 9.48 percent (based on the purchase price of the stock) payable quarterly; to certain preferences including preference in the payment of dividends and in liquidation over holders of the Company's Series E Preferred Stock and common stock; and to 30.604 votes per share, which number may be adjusted from time to time upon the occurrence of certain events. The voting power is based on the equivalent number of common shares represented by a market value of $185 million at the time the preferred stock was issued. In the event of a change in control or certain other events, the holder may require the Company to redeem the Series F Preferred Stock at a 10 percent premium. In the event of an early redemption, the Company may be required to reimburse the holder for certain costs incurred as a result of such redemption. Any accrued but unpaid dividends bear interest at the annual rate of 11.48 percent, compounded quarterly. The preferred stock is exchangeable at the option of the Company and with the consent of NSC for the Company's 10.23% Subordinated Voting Note.

The Series F Preferred Stock or the Subordinated Voting Note is required to be redeemed in two stages, consisting of $85 million on December 18, 1996, and the remaining $100 million on December 17, 1999, plus, in each instance, accrued and unpaid dividends thereon.

In connection with the sale of the Series F Preferred Stock, the Company agreed to repurchase $185 million of the Company's common stock, of which $147 million (amounting to 4.7 million shares) has been repurchased. As of December 31, 1994, the amount representing the remaining repurchase commitment of $38 million has been classified as temporary equity with a corresponding reduction of stockholders' equity. In December 1990, the Company suspended open-market stock purchases and agreed to maintain cash, certain securities, a surety bond or letter of credit, or some combination thereof, currently equal to $19 million to meet its obligation under the Series F Preferred Stock sale agreement.

The terms of a letter agreement between the Company and NSC which provided for the purchase of the Series F Preferred Stock generally restrict the acquisition by NSC of additional securities of the Company and the disposition of the preferred stock. Under certain circumstances related to a potential change in control of the Company, NSC may seek to acquire voting securities of the Company on terms and conditions no less favorable to the Company's stockholders than the terms and conditions offered in connection with the potential change in control.

The Company has agreed not to create issues of stock senior to the Series F Preferred Stock. So long as the purchaser and permitted transferees beneficially own at least $100 million of preferred stock or $100 million aggregate principal amount of the subordinated notes, the Company has agreed with NSC to nominate a mutually acceptable individual for election to the Company's Board of Directors. No such individual has been nominated.

Stock Purchase Rights

APPLE COMPUTER, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

Shareholder Rights Plan

In May 1989, the Company adopted a shareholder rights plan and distributed a dividend of one right to purchase one share of common stock (a Right) for each outstanding share of common stock of the Company. The Rights become exercisable in certain limited circumstances involving a potential business combination transaction of the Company and are initially exercisable at a price of $200 per share. Following certain other events after the Rights have become exercisable, each Right entitles its holder to purchase for $200 an amount of common stock of the Company, or, in certain circumstances, securities of the acquiror, having a then-current market value of two times the exercise price of the Right.

The Rights are redeemable and may be amended at the Company's option before they become exercisable. Until a Right is exercised, the holder of a Right, as such, has no rights as a shareholder of the Company. The Rights expire on April 19, 1999.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred Stock Purchase Rights Plan

In 1986, the Board of Directors declared a distribution of one right for each share of the company's common stock outstanding on and after March 21, 1986. Following the two-for-one stock split later in 1986, one-half of one right attaches to each share of common stock outstanding. In general, the rights become exercisable at $175 per right for a fractional share of a new series of Class A preferred stock (which will differ from the Series A Convertible Preferred Stock issued to the Employee Stock Ownership Plan described on page 31) 10 days after a person or group either acquires beneficial ownership of shares representing 20% or more of the voting power of the company or announces a tender or exchange offer that could result in such person or group beneficially owning shares representing 28% or more of the voting power of the company. If thereafter any person or group becomes the beneficial owner of 28% or more of the voting power of the company or if the company is the surviving company in a merger with a person or group that owns 20% or more of the voting power of the company, then each owner of a right (other than such 20% stockholder) would be entitled to purchase shares of common stock having a value equal to twice the exercise price of the right.

Should the company be acquired in a merger or other business combination, or sell 50% or more of its assets or earnings power, each right would entitle the holder to purchase, at the exercise price, common shares of the acquirer having a value of twice the exercise price of the right. The exercise price was determined on the basis of the Board's view of the long-term value of the company's common stock. The rights have no voting power nor do they entitle a holder to receive dividends. At the company's option, the rights are redeemable prior to becoming exercisable at five cents per right. The rights expire on March 21, 1996.

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Shareholder Rights Plan:
On December 20, 1989, the Board of Directors declared a dividend distribution of one common stock purchase right (a "right") for each share of the Company's common stock outstanding on January 5, 1990. Each right would entitle shareowners to buy one-half of one share of the Company's common stock at an exercise price of $85.00 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 or attempting to acquire 20 percent or more of the outstanding shares of common stock. The rights expire on January 5, 2000, unless redeemed or exchanged by the Company earlier.

CLEVELAND-CLIFFS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (In Part): Shareholders' Equity
A share purchase right ("Right") is attached to each of the Company's Common Shares outstanding as of December 31, 1993, or subsequently issued. Each Right entitles the holder to buy from the Company eleven one-thousandths (.011) of one Common Share at an exercise price per whole share of $39.11. 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 $78.22 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.

JOSLYN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Shareholders' Rights
The corporation has a Shareholders' Right attached to each share of common stock. Each Right entitles the holder to buy from the corporation one newly issued share of common stock at an exercise price of $60. The Rights become exercisable upon the acquisition of a certain percentage of corporation stock or a tender offer or exchange offer for corporation stock by a person or group. The corporation is entitled to redeem the Rights at $.05 per Right at any time prior to fifteen days after a public announcement that a person or group has acquired a certain percentage of the corporation's common stock. Depending on the occurrence of certain specific events, each exercisable Right, other than Rights held by the acquiring party, either entitles the holder to purchase the corporation's common stock at an adjusted per-share price equal to 20% of the then market price or entitles the holder to purchase a share of the acquiring company common stock at a 50% discount. The Rights will expire on March 3, 1998.

MAPCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Stock Rights
Under a Rights Agreement (as amended in 1989), MAPCO has one Right outstanding for each outstanding share of MAPCO common stock. Under certain limited conditions as defined in the Rights Agreement, each Right entitles the registered holder to purchase from MAPCO one two-hundredth of a share of Series A Junior Participating Preferred Stock ("Preferred Stock") at $175 subject to adjustment. At December 31, 1994, there were 29.9 million Rights outstanding, that if exercised, would result in the issuance of 149,577 shares of Preferred Stock.

The Rights are not exercisable until the Distribution Date (as defined in the Rights Agreement) which will occur upon the earlier of (i) ten days following a public announcement that an Acquiring Person has acquired beneficial ownership of 15% or more of MAPCO's outstanding common stock or (ii) ten business days following the commencement of a tender offer or exchange offer that would result in a person or group owning 15% or more of MAPCO's outstanding common stock.

The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire MAPCO without conditioning the offer on a substantial number of Rights being redeemed. Upon exercise and the occurrence of certain events as defined in the Rights Agreement, each holder of a Right, except the Acquiring Person (as defined in the Rights Agreement), will have the right to receive MAPCO common stock or common stock of the acquiring company having a value equal to two times the exercise price of the Right.

The Rights should not interfere with any merger or other business combination approved by MAPCO since the Board of Directors may, at its option, at any time prior to the close of business on the earlier of the tenth day following the Stock Acquisition Date (as defined in the Rights Agreement) or July 7, 1996, redeem all but not less than all of the then outstanding Rights at $.05 per Right. The Rights expire on July 7, 1996, and do not have voting power or dividend privileges.

RUDDICK CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Stock (In Part)

On November 15, 1990, the Company declared a dividend of one preferred share purchase right for each outstanding share of common stock, which rights expire on November 15, 2000. As a result of the July 1, 1991, 100% stock dividend, the number of rights outstanding doubled. Each right entitles the holder to purchase one two-hundredth of a share (as adjusted for the 100% stock dividend) of a new Series A Junior Participating Additional Preferred Stock at $52.50, subject to further adjustment. The rights are not exercisable until 10 days after a party has acquired or commences to acquire a beneficial interest of at least 20% of the Company's outstanding common stock. In addition, each right would entitle the rightholder to exercise the right and receive shares of common stock of the acquiring company upon merger or other business combination having a market value of twice the exercise price of the right. Under certain circumstances after the rights become exercisable, the Board of Directors may exchange all or part of the outstanding rights at an exchange ratio of one share of common stock, or one two-hundredth of a share of Series A Junior Participating Additional Preferred Stock, per right, subject to adjustment. The rights have no voting privileges and may be redeemed by the Board of Directors at a price of $.005 per right at any time prior to the acquisition of a beneficial ownership of 20% of the outstanding common shares. There are 200,000 shares of Series A Junior Participating Additional Preferred Stock reserved for issuance upon exercise of the rights.

VARIAN ASSOCIATES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred Stock Purchase Rights (Shares in thousands)

At fiscal year-end, there were issued and outstanding 33,979 preferred stock purchase rights (one right for each outstanding common share). Each right entitles the holder to buy one two-hundredth of a share of the Company's Series A Junior Participating Preferred Stock for $62.50. Of the 1,000 shares of authorized preferred stock, 280 shares have been designated as Series A Junior Participating Preferred Stock, to be issued upon exercise of the rights. Upon issuance, these preferred shares will have certain voting, dividend, and liquidation preferences over the common stock, as described in the Rights Agreement of August 25, 1986, as amended.

The rights are exercisable ten days after a person or group has acquired 15% or more of the Company's voting stock, or the tenth day (or such later date as may be determined by the Board of Directors) after the date of the commencement or announcement of a person's or group's intention to commence a tender or exchange offer whose consummation will result in the ownership of 30% or more of stock. If a person or group becomes the beneficial owner of 15% or more of the voting stock, each right would entitle the holder, other than the acquiring person or group, to buy shares of the Company's Series A Junior Participating Preferred Stock, having a market value of $125, for the exercise price of $62.50. If the Company were to be merged into another entity, or merged with another entity, and the common stock were changed into other securities or assets, each right would entitle the holder to purchase for the exercise price of $62.50 common stock of the acquiring company equal to a market value of twice the exercise price, or $125.

The rights expire on August 25, 1996, but may be redeemed by the Board of Directors of the Company for $.025 per right at any time before they become exercisable.

Warrants

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Shareholders' Equity

Warrants

As a result of the acquisition of Equinox, outstanding Equinox warrants became exercisable for Hecla common shares. At December 31, 1994 and 1993, there were 379,506 and 415,131 warrants outstanding, respectively, to acquire Hecla common shares at $8.08 per share, which expire in August, 1996. If the Company's shares trade at a price of $12.58 per share or above for 20 consecutive trading days, upon Hecla's election and notice to warrant holders, the holders of Equinox warrants must exercise their warrants or lose their right to exercise.

At December 31, 1993, the Company had outstanding 459,433 warrants to acquire the Company's common stock at an exercise price of $17.81 and 12,859 warrants to acquire the Company's common stock at an exercise price of $12.42. During 1994, 1,853 of these warrants were exercised. The remaining warrants expired in May 1994.

Section 3: Income Statement

INCOME STATEMENT TITLE

Table 3-1 summarizes the key word terms used in statement of income titles. Many of the survey companies used the term *operations* when one or more of the three years presented in a statement of income showed a net loss.

TABLE 3-1: INCOME STATEMENT TITLE

	1994	1993	1992	1991
Income	291	280	292	311
Operations	180	189	165	139
Earnings	117	116	132	137
Other	12	15	11	13
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.

When nonhomogeneous operations constitute a significant portion of consolidated operations, certain survey companies presented income statements with formats differing from the commonly used formats by either segregating revenues and expenses of nonhomogeneous operations (5 companies) or by presenting, as part of the income statement, supplemental consolidating data (5 companies).

Occasionally the survey companies disclose reclassifications of income statement amounts. Examples of such reclassifications follow.

TABLE 3-2: INCOME STATEMENT FORMAT

	1994	1993	1992	1991
Single-step Form				
Federal income tax shown as separate last item	192	195	206	213
Federal income tax listed among operating items	5	4	5	3
Multi-step Form				
Costs and expenses deducted from sales to show operating income	217	223	230	222
Costs deducted from sales to show gross margin	186	178	159	162
Total Companies	**600**	**600**	**600**	**600**

Reclassifications

CALMAT CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Reclassification: Beginning in 1994, certain expenses which were previously classified as selling, general and administrative expenses have been reclassified to cost of products sold and operating expenses to conform with current industry practices. Such expenses amounted to $8.0, $7.9 and $8.1 in 1994, 1993, and 1992, respectively. All financial information has been restated to conform with this year's presentation.

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

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Reclassifications: The former DOE Support segment is presented as discontinued operations in accordance with Accounting Principles Board (APB) Opinion No. 30. (See Note 5 for further discussion.) In addition, research and development expenses, which had previously been included in cost of sales, are now presented separately on the Consolidated Statement of Operations. State income taxes, which had previously been included in selling, general and administrative expenses, are now included in the provision for income taxes.

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Reclassifications

To conform to the single step format in 1994, the Consolidated Statements of Income for the years 1993 and 1992 were reclassified to more appropriately report the Company's business results and revenues and expenses. Certain other amounts in the 1993 and 1992 financial statements and related notes have been reclassified to conform with the 1994 presentation.

HERCULES INCORPORATED (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Dollars in thousands)

Reclassifications (In Part)
Equity in income of affiliated companies is reported before applicable income taxes and included in income before income taxes and effect of changes in accounting principles. Previously, equity in income of affiliated companies was reported net of applicable income taxes and included in income before effect of changes in accounting principles. Management believes that the current presentation is more meaningful. The effect on income before income taxes is $25,605, $24,108, and $15,984 for the years ended December 31, 1994, December 31, 1993, and December 31, 1992, respectively. The effect on the provision for income taxes is $8,700, $6,881, and $8,601 for the comparable periods. Financial statements for 1993 and 1992 have been reclassified to conform with the 1994 presentation.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies
Reclassification—Beginnning in 1994, minority interests in the income of consolidated subsidiaries have been excluded from operating income whereas prior to 1994 they were included therein. For comparative purposes, these and certain other prior year amounts have been reclassified to conform to the current year presentation.

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

	1994	1993	1992	1991
Net Sales				
Net sales	346	354	344	346
Net sales and operating revenues	9	11	12	11
Net sales combined with other items	6	9	9	12
Sales				
Sales	81	73	85	81
Sales and operating revenues	28	25	30	28
Sales combined with other items	14	15	6	9
Other Captions				
Revenue	111	101	109	97
Gross sales, billings, shipments, etc.	5	12	5	16
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: GAINS

	Number of Companies			
	1994	1993	1992	1991
Interest	331	334	349	347
Sale of assets	121	104	121	110
Equity in earnings of investees	92	80	88	91
Dividends	89	90	84	91
Foreign currency transactions	38	48	50	59
Royalties	27	32	32	30
Public offering of subsidiary's stock	12	10	7	4
Litigation settlements	10	17	16	12
Rentals	10	9	10	14
Pension plan settlements	2	6	6	13

REVENUES

CERIDIAN CORPORATION (DEC)

(Dollars in millions)	1994	1993	1992
Revenue			
Product sales	$ 515.9	$ 442.0	$ 392.7
Services	400.4	444.1	437.6
Total	916.3	886.1	830.3
Cost of Revenue			
Product sales	401.3	353.1	316.4
Services	187.2	252.9	258.7
Total	588.5	606.0	575.1
Gross profit	327.8	280.1	255.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Revenue Recognition

Revenue from product sales is related primarily to fixed price, long-term contracts with government customers and is recognized on a percentage of completion basis. Percentage of completion is determined by reference to the extent of contract performance, future performance risk and cost incurrence. Costs and estimated earnings in excess of billings on uncompleted contracts are reported as unbilled receivables, a portion of which represents a holdback reserve which is billable as allowed under the contract terms. Contracts in progress are reviewed quarterly, and sales and earnings are adjusted in current accounting periods based on revisions in contract value and estimated costs at completion. Provisions for estimated losses on contracts are recorded when identified.

Revenue from sales of services is recognized when the services are performed and billable, except for the portion of Employer Services tax filing revenue which is recognized as earned from the investment of customer deposits.

CYPRUS AMAX MINERALS COMPANY (DEC)

(In millions)	1994	1993	1992
Revenue	$2,788	$1,763	$1,641
Costs and Expenses			
Cost of Sales	2,083	1,333	1,286
Selling and Administrative Expenses	99	70	77
Depreciation, Depletion, and Amortization	253	145	128
Write-Downs	10	—	410
Merger and Reorganization Expenses	13	33	29
Exploration Expense	23	25	19
Total Costs and Expenses	2,481	1,606	1,949
Income (Loss) from Operations	307	157	(308)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition and Futures Contracts—Revenue is recorded when title passes to the customer. Cyprus Amax uses futures and other financial instruments as hedges in its product sales and cash management program. Gains and losses on such transactions related to sales are matched to product sales and charged or credited to sales revenue when that product is sold. Foreign currency hedging gains or losses are credited or charged to income.

OLIN CORPORATION (DEC)

($ in millions)	1994	1993	1992
Sales	$2,658	$2,423	$2,376
Operating Expenses:			
Cost of Goods Sold	2,153	2,161	1,941
Restructuring Charge	—	42	—
Selling and Administration	302	300	279
Research and Development	35	41	39
Operating Income (Loss)	168	(121)	117

POTLATCH CORPORATION (DEC)

(Dollars in thousands)	1994	1993	1992
Net Sales	$1,471,258	$1,368,854	$1,326,612
Costs and expenses:			
Depreciation, amortization and cost of fee timber harvested	138,251	123,544	107,165
Materials, labor and other operating expenses	1,121,491	1,064,260	1,006,887
Selling, general and administrative expenses	82,799	83,958	83,409
	1,342,541	1,271,762	1,197,461
Earnings from operations	128,717	97,092	129,151

STEEL TECHNOLOGIES INC. (SEP)

	1994	1993	1992
Sales	$241,160,109	$198,157,129	$154,417,467
Cost of goods sold	210,130,690	168,294,650	131,711,246
Gross profit	31,029,419	29,862,479	22,706,221

GAINS

Interest Income

FANSTEEL INC. (DEC)

	1994	1993	1992
Net Sales	$89,287,336	$89,387,486	$127,144,839
Cost and Expense			
Cost of products sold	72,033,115	73,579,091	104,012,109
Selling, general and administrative	12,601,816	13,250,265	15,349,511
	84,634,931	86,829,356	119,361,620
Operating Income	4,652,405	2,558,130	7,783,219
Other Income (Expense)			
Interest income	1,076,740	1,383,941	837,709
Interest expense	(17,769)	(277,826)	(231,706)
Other	235,002	509,593	117,265
	1,293,973	1,615,708	723,268
Income From Continuing Operations Before Income Taxes	5,946,378	4,173,838	8,506,487

THE PERKIN-ELMER CORPORATION (JUN)

(Dollar amounts in thousands)	1994	1993	1992
Net revenues	$1,024,467	$1,011,297	$970,054
Cost of sales	535,178	535,137	521,737
Gross margin	489,289	476,160	448,317
Selling, general and administrative	299,101	307,852	285,672
Research, development and engineering	94,172	83,847	81,381
Costs to combine operations		28,500	
Transaction costs		12,500	
Gain on sale of joint venture			(3,300)
Provision for restructured operations			22,000
Operating income	96,016	43,461	62,564
Interest expense	7,145	13,139	19,859
Interest income	2,382	7,468	10,073
Other income (expense), net	(2,121)	6,139	(3,495)
Income before income taxes	89,132	43,929	49,283

QUANEX CORPORATION (OCT)

(In thousands)	1994	1993	1992
Net sales	$699,314	$616,145	$572,090
Costs and expenses:			
Cost of sales	613,553	550,969	506,778
Selling, general and administrative	44,359	41,907	39,190
Facilities realignment charge	—	—	7,200
Operating income	41,402	23,269	18,922
Other income (expense):			
Interest expense	(13,944)	(13,871)	(14,557)
Capitalized interest	3,766	1,909	4,062
Other, net	1,279	3,224	2,255
Income before income taxes and cumulative effect of accounting change	32,503	14,531	10,682

Sale Of Assets

HALLIBURTON COMPANY (DEC)

Millions of dollars	1994	1993	1992
Revenues	$5,740.5	$6,350.8	$6,565.9
Operating costs and expenses:			
Cost of revenues	5,307.7	6,265.0	6,383.6
General and administrative	197.8	218.4	283.7
Total operating costs and expenses	5,505.5	6,483.4	6,667.3
Operating income (loss)	235.0	(132.6)	(101.4)
Interest expense	(47.1)	(50.1)	(53.6)
Interest income	16.2	13.9	42.0
Foreign currency losses	(15.6)	(21.0)	(32.7)
Gains on sales of businesses	102.0	—	13.6
Other nonoperating income, net	0.4	0.7	0.8
Income (loss) before income taxes, minority interest and changes in accounting methods	290.9	(189.1)	(131.3)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 (In Part): Acquisitions and Dispositions

The Company sold its natural gas compression business unit in November 1994 for $205 million in cash. The sale resulted in a pretax gain of $102 million, or 56 cents per share after tax. The business unit sold owns and operates a large natural gas compressor rental fleet in the United States and Canada. The compressors are used to assist in the production, transportation and storage of natural gas.

Additionally in November 1994, the Company announced that a definitive agreement was reached regarding the sale of its industrial services business unit. The business unit provides chemical cleaning, hydro jetting and vacuum removal services to the petrochemical and refining, pulp and paper, and power industries throughout the United States. The closing of the sale was completed during the first quarter of 1995.

MANVILLE CORPORATION (DEC)

(In thousands of dollars)	1994	1993	1992
Net Sales	$2,256,343	$2,278,204	$2,205,664
Cost of Sales	1,930,926	1,799,765	1,729,982
Selling, General and Administrative	281,172	260,247	242,101
Research, Development and Engineering	39,094	36,743	33,873
Restructuring of Operations Gain (Loss), net		(40,539)	746
Other Income (Loss), net	(12,665)	(4,962)	1,762
Income from Operations	296,486	135,948	202,216
Gain on Sale of Equity Investment	13,455		
Interest Income	10,707	27,378	17,766
Interest Expense	140,984	143,980	130,054
Profit Sharing Expense	18,259	12,993	12,123
Income before Income Taxes	161,405	6,353	77,805

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Investment Affiliates

At December 31, 1994, the Company has two primary investments, reflected in other assets, which are accounted for under the equity method. These are Riverwood's Brazilian operations, Igaras Papéis e Embalagens S.A. ("Igaras") and the Company's investment in Stillwater Mining Company ("Stillwater"), a company engaged in the exploration, development, mining and production of palladium, platinum and associated metals. The Company's carrying value of these investments was approximately $135 million at December 31, 1994.

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During 1994, Manville sold 2.1 million shares of its investment in Stillwater for net cash proceeds of approximately $25.5 million, resulting in a pretax gain on the sale of equity securities of $13.5 million. In addition, Stillwater completed an initial public offering of 4.5 million shares of its common stock at $13 per share, which resulted in the Company recording an increase to Capital in Excess of Par Value of $3.1 million, net of income taxes of $1.7 million. The sales reduced the Company's ownership percentage to approximately 27 percent from 50 percent. Based on quoted market prices from NASDAQ, at December 30, 1994, the value of the Company's investment in Stillwater approximated $73 million. The Company is prohibited from selling additional shares of its investment in Stillwater until 1996.

MEREDITH CORPORATION (JUN)

($ in thousands)	1994	1993	1992
Revenues (less returns and allowances):			
Advertising	$335,477	$334,475	$327,895
Circulation	257,453	245,693	235,734
Consumer books	86,040	81,390	80,452
All other	120,556	107,290	62,581
Total Revenues	799,526	768,848	706,662
Operating Costs and Expenses:			
Production, distribution and editorial	326,727	320,501	322,891
Selling, general and administrative	381,522	375,045	343,615
Depreciation and amortization	34,526	32,393	17,545
Non-recurring items	7,384	—	26,383
Total Operating Costs and Expenses	749,889	727,939	710,434
Income (Loss) from Operations	49,637	40,909	(3,772)
Gain on sale of broadcast stations (Note 11)	11,997	—	—
Interest income	1,991	2,141	6,339
Interest expense	(11,624)	(9,925)	(727)
Minority interests	2,232	1,219	(11)
Earnings before Income Taxes and Cumulative Effect of Change in Accounting Principle	54,233	34,344	1,829

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Sale of Properties

On December 26, 1993, the Company sold the net assets of WTVH, a CBS affiliate licensed to serve Syracuse, New York, and the common stock of a Company subsidiary that owned KSEE, an NBC affiliate licensed to serve Fresno, California, for a pre-tax gain of $11,997,000 ($8,197,000 post-tax).

The Company sold Metropolitan Home magazine to Hachette Publications, Inc., in November 1992. The Company sold the net assets of its Real Estate relocation operation to PHH Homequity Corporation in September 1991.

The gains or losses on these sales are included in net earnings for their respective year. If these sales had occurred on July 1 of the respective fiscal year, the impacts on the Company's consolidated revenues and earnings would not have been significant.

TANDEM COMPUTERS INCORPORATED (SEP)

(In thousands)	1994	1993	1992
Revenues			
Product revenues	$1,719,026	$1,651,597	$1,665,695
Service and other revenues	389,009	379,363	371,222
Total revenues	2,108,035	2,030,960	2,036,917
Costs and expenses			
Cost of product revenues	699,976	622,640	574,841
Cost of service and other revenues	255,292	263,414	254,897
Research and development	269,267	313,298	285,117
Marketing, general, and administrative	726,906	847,047	851,477
Restructuring charges	—	451,000	106,000
Total costs and expenses	1,951,441	2,497,399	2,072,332
Operating income (loss)	156,594	(466,439)	(35,415)
Gain on sale of subsidiaries	23,000	—	—
Interest income	14,579	18,985	21,396
Interest expense	(12,973)	(15,685)	(17,583)
Income (loss) before income taxes and cumulative effect of change in accounting for income taxes	181,200	(463,139)	(31,602)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations (In Part)

In 1994 the Company sold 100 percent of its interest in Applied Communications, Inc. (ACI), acquired April 12, 1991, and Applied Communications, Inc. Limited (ACI Ltd.), acquired December 31, 1991, for approximately $53.6 million net cash. The sales of these subsidiaries resulted in a gain for financial accounting purposes of $23 million. The consolidated results of operations include the results of ACI and ACI, Ltd., from their respective acquisition dates through December 31, 1993, their disposition date.

WM. WRIGLEY JR. COMPANY (DEC)

In thousands of dollars	1994	1993	1992
Revenues:			
Net sales	$1,596,551	1,428,504	1,286,921
Investment and other income	26,597	11,938	14,346
Nonrecurring gain on sale of Singapore property	38,102	—	—
Total revenues	1,661,250	1,440,442	1,301,267

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nonrecurring Gain on Sale of Singapore Property

On January 12, 1994, the Company sold the real estate holdings of its wholly owned associated company in Singapore, Malayan Guttas Private Limited, for a gain of $38,100,000. This nonrecurring gain, reported in the first quarter of 1994, increased net earnings by an after tax amount of $24,765,000 or $.21 per share.

Equity In Earnings Of Investees

THE WASHINGTON POST COMPANY (DEC)

(in thousands)	1994	1993	1992
Operating revenues			
Advertising	$1,026,672	$913,529	$895,645
Circulation and subscriber	438,500	444,385	436,193
Other	148,806	140,277	119,029
	1,613,978	1,498,191	1,450,867
Operating costs and expenses			
Operating	861,464	790,256	787,256
Selling, general and administrative	390,296	393,196	356,799
Depreciation and amortization of property, plant, and equipment	61,950	59,543	59,222
Amortization of goodwill and other intangibles	25,393	16,216	15,478
	1,339,103	1,259,211	1,218,755
Income from operations	274,875	238,980	232,112
Equity in earnings (losses) of affiliates	7,325	(1,994)	(11,730)
Interest income	9,196	11,085	11,854
Interest expense	(5,590)	(4,983)	(6,385)
Other income (expense), net	1,116	20,379	(1,655)
Income before income taxes and cumulative effect of change in accounting principle	286,922	263,467	224,196

Foreign Currency Transactions

BAUSCH AND LOMB INCORPORATED (DEC)

Dollar Amounts In Thousands	1994	1993	1992
Net Sales	$1,850,552	$1,872,184	$1,709,086
Costs And Expenses			
Cost of products sold	900,733	841,429	778,684
Selling, administrative and general	720,633	672,022	606,889
Research and development	60,421	57,864	53,268
Goodwill impairment charge	75,000	—	—
Restructuring charges	—	50,000	—
	1,756,787	1,621,315	1,438,841
Operating Earnings	93,765	250,869	270,245
Other (Income) Expense			
Investment income	(35,339)	(14,289)	(13,254)
Interest expense	41,379	34,202	29,540
Gain from foreign currency, net	(2,615)	(11,068)	(8,685)
	3,425	8,845	7,601
Earnings Before Income Taxes And Minority Interest	90,340	242,024	262,644

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Foreign Currency Translation

Assets and liabilities of certain non-U.S. subsidiaries are translated at current exchange rates, and related revenues and expenses are translated at average exchange rates in effect during the period. Resulting translation adjustments are recorded as a currency component in shareholders' equity. Financial results of non-U.S. subsidiaries in countries with highly inflationary economies are translated using a combination of current and historical exchange rates and any translation adjustments are included in net earnings, along with all transaction gains and losses for the period.

Royalties

MUNSINGWEAR, INC. (DEC)

(Amounts in thousands)	1994	1993	1992
Revenues:			
Net sales	$37,407	$37,635	$37,867
Royalties	4,528	3,624	1,977
	41,935	41,259	39,844
Expense:			
Cost of goods sold	30,029	28,783	26,832
Selling, general and adminstrative	12,134	11,869	10,598
(Gain) loss on closing of facilities	(100)	450	—
	42,063	41,102	37,430
Operating income (loss)	(128)	157	2,414

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenues

Net sales are recognized at the time of shipment. The Company establishes liabilities for estimated returns and allowances at the time of shipment. Royalties are recorded as earned in accordance with specific terms of each license agreement. Sales to one customer for 1994, 1993 and 1992, were 16%, 21% and 18%, respectively.

Public Offering Of Investee Stock

PEPSICO, INC. (DEC)

(in millions)	1994	1993	1992
Net Sales	$28,472.4	$25,020.7	$21,970.0
Costs and Expenses, net			
Cost of sales	13,715.4	11,946.1	10,611.7
Selling, general and administrative expenses	11,243.6	9,864.4	8,721.2
Amortization of intangible assets	312.2	303.7	265.9
Operating Income	3,201.2	2,906.5	2,371.2
Gain on joint venture stock offering	17.8	—	—
Interest expense	(645.0)	(572.7)	(586.1)
Interest income	90.4	88.7	113.7
Income Before Income Taxes and Cumulative Effect of Accounting Changes	2,664.4	2,422.5	1,898.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 — Joint Venture Stock Offering

In 1993, PepsiCo entered into an arrangement with the principal shareholders of Buenos Aires Embotelladora S. A. (BAESA), a franchised bottler with operations in Argentina and Costa Rica. PepsiCo contributed certain assets, primarily bottling operations in Chile and Uruguay, while the shareholders contributed all of their outstanding shares in BAESA, representing 72.8% of the voting control and 42.5% of the ownership interest. Through this arrangement, PepsiCo's ownership in BAESA, which is accounted for by the equity method, was 25.9%.

On March 24, 1994, BAESA completed a public offering of 2.9 million American Depository Shares (ADS) at $34.50 per ADS, which are traded on the New York Stock Exchange. In conjunction with the offering, PepsiCo and certain other shareholders exercised options for the equivalent of 1.6 million ADS. As a result of these transactions, PepsiCo's ownership in BAESA declined to 23.8%. The transactions generated cash proceeds for BAESA of $136.4 million. The resulting one-time, noncash gain to PepsiCo was $17.8 million ($16.8 million after-tax or $0.02 per share).

UNION CAMP CORPORATION (DEC)

($ in thousands)	1994	1993	1992
Net sales	$3,395,825	$3,120,421	$3,064,358
Costs and other charges:			
Costs of products sold	2,524,844	2,360,298	2,290,717
Selling and administrative expenses	329,087	305,616	298,534
Depreciation and cost of company timber harvested	253,436	242,883	237,531
Other operating charges ...	13,958	—	57,000
Income from operations ..	274,500	211,624	180,576
Interest expense	109,172	124,911	136,240
Gain on sale of minority interest	(34,698)	—	—
Other (income) expense—net	4,862	(13,425)	(21,074)
Income before income taxes, minority interest, extraordinary item and cumulative effect of accounting changes	195,164	100,138	65,410

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Gain on Sale of Minority Interest

In the second quarter of 1994, Union Camp's flavor and fragrance subsidary, Bush Boake Allen Inc. (BBA) sold to the public approximately 6.1 million shares of BBA stock (approximately 32% of BBA's outstanding shares) at an offering price of $16.00 per share. Union Camp retains approximately 68% of the 19.215 million shares outstanding after the offering. As a result of this transaction, Union Camp recognized a $34.7 million pre-tax gain.

Restructuring Credit

DELUXE CORPORATION (DEC)

(Dollars in Thousands)	1994	1993	1992
Net Sales	$1,747,920	$1,581,767	$1,534,351
Operating Expenses			
Cost of sales	801,884	730,436	702,969
Selling, general, and administrative	630,531	489,127	423,362
Employee profit sharing and pension	59,668	61,162	60,307
Employee bonus and stock purchase discount	22,178	20,215	25,494
Restructuring charge (credit)	(10,000)	49,000	
Total	1,504,261	1,349,940	1,212,132
Income from operations	243,659	231,827	322,219

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Restructuring Charge

In June 1993, the Company announced its plans to consolidate its financial institution check printing operations by closing 16 underutilized check printing plants. These closings resulted from the absence of growth in the financial institution check market and production efficiencies gained from the Company's improved check printing technology. In conjunction with the consolidation, the Company recorded a one-time pre-tax restructuring charge of $60 million (reduced to $49 million in the fourth quarter 1993). The majority of the charge consisted of estimated costs for employee severance and relocation ($36.3 million), and the disposition of assets affected by the consolidation ($9.1 million).

During 1994, the Company substantially completed its restructuring plan without incurring certain costs that were included in the 1993 charge. As a result, the Company recorded a $10 million credit to reduce its restructuring accrual. The balance of the accrual at December 31, 1994, represents specifically identified, incremental employee severance and asset impairment and disposal costs to be incurred as a result of the closings. The cash payments relating to these costs are expected to be made in 1995.

Life Insurance Proceeds

DIXIE YARNS, INC. (DEC)

	1994	1993	1992
Net sales	$688,534,425	$594,601,350	$469,832,466
Cost of sales	595,731,868	510,378,826	412,246,551
Gross Profit	92,802,557	84,222,524	57,585,915
Selling, general and administrative expenses	82,053,001	59,910,691	32,469,983
Asset valuation losses	10,397,136	—	—
Corporate expenses	5,915,227	5,159,000	5,600,000
Life insurance gain	(12,835,313)	—	—
Other (income) expense — net	5,469,020	(2,640,156)	(256,021)
Income before interest and taxes	1,803,486	21,792,989	19,771,953

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Life Insurance Gain

The Company recorded a nontaxable gain of $12,835,313 in the fourth quarter of 1994 from the receipt of insurance proceeds on the life of the former Chairman of Carriage Industries, Inc.

Nonrecurring/Unusual Gains

BAKER HUGHES INCORPORATED (SEP)

(In thousands)	1994	1993	1992
Revenues:			
Sales	$1,727,734	$1,945,793	$1,839,771
Services and rentals	777,024	755,904	698,744
Total	2,504,758	2,701,697	2,538,515
Cash and Expenses:			
Cost of sales	1,015,458	1,154,865	1,076,378
Cost of services and rentals	389,605	395,286	347,020
Research and engineering	91,011	102,057	107,188
Marketing and field services	586,671	610,337	602,342
General and administrative	184,013	201,322	200,758
Amortization of goodwill and other intangibles	30,775	39,916	31,649
Unusual charges — net	31,829	42,000	79,190
Operating income of business sold	(10,488)		
Total	2,318,874	2,542,783	2,444,525
Operating income	185,884	158,914	93,990

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Unusual Charges-Net

During 1994, the Company recognized $31.8 million of net unusual charges consisting of the following items:

(In thousands)	
Insurance recovery in the Parker & Parsley litigation	$(19,281)
Discontinued product line	15,005
Oilfield restructurings:	
Severance under existing benefit arrangements	5,869
Relocation of property, inventory and people	5,773
Writedown of assets to net realizable value	18,650
Abandoned leases	2,082
Other	3,731
Unusual charges-net	$ 31,829

In May 1994, the Company realized a gain of $19.3 million from the cash settlement of a suit against certain insurance carriers in the Parker & Parsley litigation. See Note 12.

Note 12 (In Part): Litigation

Parker & Parsley

In May 1994, a settlement of litigation against its insurance carriers provided the Company a recovery of $19.3 million, net of expenses, which was recognized as an unusual credit in the third quarter of 1994. The Company had previously recorded a charge to earnings of $24.5 million in the second quarter of 1993 as a result of a litigation settlement for $57.7 million in May 1993 paid on behalf of a former affiliate, BJ Services Company USA, Inc. ("BJ") to Parker & Parsley over alleged intentional product delivery or service variance on a number of well stimulation projects. In connection with the initial public offering by BJ in 1990, the Company had previously agreed to indemnify BJ for damages and costs of litigation arising out of said allegations or similar claims from any other customers prior to the date of the initial public offering.

THE TIMES MIRROR COMPANY (DEC)

(In thousands of dollars)	1994	1993	1992
Revenues	$3,357,450	$3,243,749	$3,155,430
Costs and Expenses			
Cost of sales	1,778,892	1,759,052	1,716,971
Selling, general and administrative expenses	1,284,218	1,215,491	1,172,000
Restructuring charges		80,164	202,700
	3,063.110	3,054,707	3,091,671
Operating Profit	294,340	189,042	63,759
Interest expense	(69,459)	(84,054)	(74,281)
Nonrecurring gains	22,099		
Other, net	767	4,797	3,420
Income (loss) from continuing operations before income taxes	247,747	109,785	(7,102)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 — Nonrecurring Gains

During 1994, the company recognized a gain of $11,872,000, or $4,215,000 (3 cents per share) after applicable income taxes, on the divestiture of a small elementary-high school book publishing operation. The company also sold preferred stock and common stock warrants, obtained as part of the 1992 settlement of a note receivable related to the 1987 sale of the *Denver Post*, for a gain of $10,227,000, or $6,431,000 (5 cents per share) after applicable income taxes.

WEIRTON STEEL CORPORATION (DEC)

(Dollars in thousands)	1994	1993	1992
NET SALES	$1,260,864	$1,201,093	$1,078,691
OPERATING COSTS:			
Cost of sales	1,136,936	1,105,558	1,010,022
Selling, general and administrative expense	31,504	32,458	30,470
Depreciation	46,309	49,113	38,617
Provision for profit sharing	17,581	—	—
Insurance recoveries to date	(20,000)	—	—
Restructuring charge	—	17,340	—
Total operating costs	1,212,330	1,204,469	1,079,109
INCOME (LOSS) FROM OPERATIONS	48,534	(3,376)	(418)
Unusual item:			
Adjustment to carrying value of damaged facility	44,746	—	—
OTHER INCOME (EXPENSE):			
Interst expense	(49,999)	(52,802)	(40,921)
Interest income	5,795	2,626	3,073
Net other expense	(44,204)	(50,176)	(37,848)
INCOME (LOSS) BEFORE ESOP CONTRIBUTION	49,076	(53,552)	(38,266)
ESOP contribution	2,610	2,610	2,610
INCOME (LOSS) BEFORE INCOME TAXES	46,466	(56,162)	(40,876)

NOTES TO FINANCIAL STATEMENTS

Note 4. Major Damage to Facility

On April 6, 1994, the Company's No. 9 Tandem Mill (the "No. 9 Tandem") sustained major damage from a fire which occurred while the unit was undergoing maintenance. This cold reduction mill is a major component of the Company's operating facilities and normally processes approximately 70% to 80% of the steel coils required for the Company's tin plating operations. The Company has since rebuilt the No. 9 Tandem and start-up operations began in October 1994.

The Company maintains insurance for both property damage and business interruption applicable to its production facilities including the No. 9 Tandem. The policies providing the coverages are subject to deductibles of $0.5 million for property damage and $5.0 million for business interruption. Insurance recoveries as of December 31, 1994 included $45 million for property damage and $20 million for business interruption. The Company is pursuing additional recoveries under both its property damage and business interruption coverages related to the damage of the No. 9 Tandem. In January 1995, the Company received an additional $10 million under its business interruption coverage, bringing the total recoveries through such date to $30 million under this coverage. In February 1995, the Company agreed to resolve the remainder of its claim for business interruption for $29 million, bringing the total recoveries to $54 million, net of the $5.0 million deductible. The Company is pursuing the final settlement of the property damage claim.

Insurance recoveries for property damage associated with events of this type require the recognition of a new cost basis for the rebuilt facility. As a result, the Company has recognized in its statement of income for the year ended December 31, 1994, an adjustment to the carrying value of the No. 9 Tandem to the extent of insurance recoveries received. Total spending to restore the No. 9 Tandem was approximately $74.6 million in 1994.

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 3-13), and income taxes (Table 3-14).

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

	1994	1993	1992	1991
Single Amount				
Cost of sales	257	255	263	252
Cost of goods sold	107	107	108	113
Cost of products sold	103	106	112	109
Cost of revenues	21	20	11	9
Elements of cost	13	11	10	3
Other captions	72	66	58	78
	573	**565**	**562**	**564**
More Than One Amount	27	35	38	36
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1994	1993	1992	1991
Selling, general and administrative	344	344	353	355
Selling and administrative	152	156	152	157
General and/or administrative	79	78	68	60
Selling	14	20	15	8
Interest	583	577	579	585
Research, development, engineering, etc.	306	300	297	296
Maintenance and repairs	68	70	82	79
Advertising	54	42	44	41
Taxes other than income taxes	37	51	61	62
Provision for doubtful accounts	33	31	29	31
Exploration, dry holes, abandonments	22	26	26	24

TABLE 3-7: LOSSES

	Number of Companies			
	1994	1993	1992	1991
Foreign currency transactions	115	102	101	88
Intangible asset amortization	109	108	90	89
Restructuring of operations	100	190	138	141
Write-down of assets	64	64	48	68
Minority interest	37	32	31	28
Environmental cleanup	32	27	23	29
Equity in losses of investees	30	24	28	34
Litigation settlements	28	23	16	17
Sale of assets	24	29	35	43
Sale of receivables	21	17	—	—

EXPENSES

Cost Of Goods Sold

AMDAHL CORPORATION (DEC)

(Dollars in thousands)	1994	1993	1992
Revenues			
Equipment sales	$1,050,236	$1,132,447	$2,022,110
Equipment lease, maintenance and other	588,377	548,085	502,624
	1,638,613	1,680,532	2,524,734
Cost of revenues			
Equipment sales	716,144	881,528	1,431,338
Equipment lease, maintenance and other	327,420	350,982	335,905
	1,043,564	1,232,510	1,767,243
Gross margin	595,049	448,022	757,491

DOLE FOOD COMPANY, INC. (DEC)

(in thousands)	1994	1993	1992
Revenue	$3,841,566	$3,430,521	$3,375,492
Cost of products sold	3,239,041	2,880,502	2,862,729
Gross margin	602,525	550,019	511,763

MOSINEE PAPER CORPORATION (DEC)

($ thousands)	1994	1993	1992
Net sales	$266,707	$244,821	$225,512
Cost of sales	217,502	201,317	195,034
Gross profit on sales	49,205	43,504	30,478

THE SHERWIN-WILLIAMS COMPANY (DEC)

(Thousands of Dollars)	1994	1993	1992
Net sales	$3,100,069	$2,949,303	$2,747,843
Costs and expenses:			
Cost of goods sold	1,772,671	1,696,959	1,589,430
Selling, general and administrative expenses	1,018,470	981,268	914,660
Interest expense	3,217	6,453	8,576
Interest and net investment income	(8,222)	(7,020)	(4,738)
Other	15,420	7,279	13,921
	2,801,556	2,684,939	2,521,849
Income before income taxes and cumulative effects of changes in accounting methods	298,513	264,364	225,994

Selling, General And Administrative Expense

THE TORO COMPANY (JUL)

(Dollars in thousands)	1994	1993	1992
Net sales	$794,341	$684,324	$643,748
Cost of sales	506,816	445,495	419,138
Gross profit	287,525	238,829	224,610
Selling, general and administrative expense	244,943	203,377	223,166
Restructuring expense	—	—	24,900
Earnings (loss) from operations	42,582	35,452	(23,456)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Allowance for Doubtful Accounts

The provision for doubtful accounts included in selling, general and administrative expense was $3,032,000 in 1994, $2,500,000 in 1993 and $4,083,000 in 1992.

Cost of Financing Distributor/Dealer Inventory (Floor Plan)

Included in selling, general and administrative expense are costs associated with various programs in which the company shares costs of financing distributor and dealer inventories. These costs of $8,587,000 in 1994, $7,606,000 in 1993 and $13,483,000 in 1992 are charged against operations as incurred.

Distribution

Included in selling, general and administrative expense are costs associated with changes to the company's distribution channels. These costs were $4,300,000 in 1994 and $4,500,000 in 1993. Costs for distribution changes were not separately identified in 1992. Those costs associated with business changes are accrued on the basis of historical experience, while costs related to specific changes to the company's distribution system are recorded when authorized.

Interest Expense

SAVANNAH FOODS & INDUSTRIES, INC. (SEP)

(In Thousands)	1994	1993	1992
Net sales	$1,074,367	$818,116	$1,138,114
Operating expenses:			
Cost of sales and operating expenses	971,706	743,731	1,008,658
Selling, general and administrative expenses	53,392	43,184	56,608
Depreciation and amortization	28,972	19,362	23,705
	1,054,070	806,277	1,088,971
Income from operations	20,297	11,839	49,143
Other income and (expenses):			
Interest and other investment income	2,170	1,412	1,747
Interest expense	(13,380)	(10,226)	(10,526)
Other income (expense)	(481)	116	604
	(11,691)	(8,698)	(8,175)
Income before income taxes and change in accounting principle	8,606	3,141	40,968

SPS TECHNOLOGIES, INC. (DEC)

(Thousands of dollars)	1994	1993	1992
Net sales	$348,905	$319,094	$359,431
Cost of goods sold	292,580	269,207	306,425
Gross profit	56,325	49,887	53,006
Selling, general and administrative expense	44,847	46,574	49,312
Restructuring charge, net	3,500	32,400	6,800
Operating earnings (loss)	7,978	(29,087)	(3,106)
Other income (expense):			
Interest income	440	472	765
Interest expense	(6,924)	(5,906)	(5,805)
Equity in earnings of affiliates	1,726	563	588
Other, net	2,900	363	(751)
	(1,858)	(4,508)	(5,203)
Earnings (loss) before income taxes and cumulative effect of changes in accounting policies	6,120	(33,595)	(8,309)

Research And Development

ALPHA INDUSTRIES, INC. (MAR)

(In thousands)	1994	1993	1992
Sales	$70,147	$69,543	$71,032
Cost of sales	55,395	52,404	51,055
Research and development expenses (Note 2)	3,429	2,915	3,873
Selling and administrative expenses	16,281	16,281	16,074
Repositioning expenses	5,639	—	—
	80,744	71,600	71,002
Operating income (loss)	(10,597)	(2,057)	30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Research and Development Expenditures:

Research and development expenditures are charged to income as incurred unless they are reimbursed under specific contracts. Losses incurred on the equity basis in the Company's two joint ventures are included in research and development.

Note 2. Joint Ventures

In fiscal year 1984, the Company and Aerojet Electro-Systems Company formed a joint venture, and in fiscal year 1987, the Company entered into a similar arrangement with Martin Marietta Corporation. These ventures were formed for the purpose of developing and producing certain millimeter wave monolithic integrated circuits. Each joint venture may be terminated by either party at any time.

The Company's share of losses incurred by the joint ventures is recorded on the equity basis and included in research and development expenses. The losses were approximately $856,000, $1,618,000, and $1,112,000 in fiscal years 1994, 1993, and 1992, respectively.

VARIAN ASSOCIATES, INC. (SEP)

(Dollars in thousands)	1994	1993	1992
Sales	$1,552,477	$1,310,984	$1,288,024
Operating Costs and Expenses			
Cost of sales	1,031,956	876,480	871,667
Research and development	81,326	73,932	76,653
Marketing	187,332	173,443	172,688
General and administrative	121,873	108,765	101,490
Total operating costs and expenses	1,422,487	1,232,620	1,222,498
Operating Earnings	129,990	78,364	65,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Research and Development—Company-sponsored research and development costs related to both present and future products are expensed currently. Costs related to research and development contracts are included in inventory and charged to cost of sales upon recognition of related revenue. Total expenditures on research and development for fiscal 1994, 1993, and 1992, were $93.1 million, $83.4 million, and $86.4 million, respectively, of which $11.8 million, $9.5 million, and $9.7 million, respectively, were funded by customers.

Advertising

DAYTON HUDSON CORPORATION (JAN)

(Millions of Dollars)	1995	1994	1993
Revenues	$21,311	$19,233	$17,927
Costs and Expenses			
Cost of retail sales, buying and occupancy	15,636	14,164	13,129
Selling, publicity and administrative	3,631	3,175	2,978
Depreciation	531	498	459
Interest expense, net	426	446	437
Taxes other than income taxes	373	343	313
Total Costs and Expenses	20,597	18,626	17,316
Earnings Before Income Taxes	714	607	611

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advertising Costs

Advertising costs, included in selling, publicity and administrative expenses, are expensed as incurred and were $604 million, $494 million and $437 million for 1994, 1993 and 1992, respectively.

EASTMAN KODAK COMPANY (DEC)

(In Millions)	1994	1993	1992
REVENUES			
Sales	$13,557	$12,670	$12,992
Earnings from equity interests and other revenues	130	203	342
TOTAL REVENUES	13,687	12,873	13,334
COSTS			
Cost of goods sold	7,325	6,654	6,702
Marketing and administrative expenses	3,711	3,420	3,725
Research and development costs	859	864	988
Interest expense	142	175	247
Restructuring costs	340	495	219
Other costs	308	188	74
TOTAL COSTS	12,685	11,796	11,955
Earnings from continuing operations before income taxes	1,002	1,077	1,379

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Advertising. Advertising costs are expensed as incurred and included in "marketing and administrative expenses". Advertising expenses amounted to $744 million, $646 million and $725 million for 1994, 1993 and 1992, respectively.

Provision For Doubtful Accounts

HUGHES SUPPLY, INC. (JAN)

(in thousands)	1995	1994	1993
Net Sales	$802,445	$660,938	$555,796
Cost of Sales	640,170	529,718	447,373
Gross Profit	162,275	131,220	108,423
Operating Expenses:			
Selling, general and administrative	132,856	109,760	94,810
Depreciation and amortization	8,773	7,465	6,636
Provision for doubtful accounts	1,185	1,671	1,775
Total operating expenses	142,814	118,896	103,221
Operating Income	19,461	12,324	5,202

Shipping

HUNT MANUFACTURING CO. (NOV)

(In thousands)	1994	1993	1992
Net sales	$288,203	$256,150	$234,929
Cost of sales	174,927	153,353	139,366
Gross profit	113,276	102,797	95,563
Selling and shipping expenses	58,572	52,831	49,605
Administrative and general expenses	27,338	25,405	23,064
Income from operations	27,366	24,561	22,894

LOSSES

Foreign Currency Transactions

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

(In thousands)	1994	1993	1992
Net sales	$1,478,691	$1,343,437	$1,261,805
Operating costs and expenses:			
Cost of goods sold	$ 606,039	$537,980	$ 529,447
Research and development	113,667	105,190	92,171
Selling	334,712	308,065	297,371
General and administrative	122,575	113,433	99,860
Restructuring and settlements	(44,553)	53,585	—
	$1,132,440	$1,118,253	$1,018,849
Operating income	$ 346,251	$ 225,184	$ 242,956
Investment income	19,084	17,137	12,423
Interest expense	(11,253)	(17,752)	(16,509)
Net exchange gain (loss)	(5,440)	(4,993)	1,207
Income before income taxes and minority interest	$ 348,642	$ 219,576	$240,077

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): 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 accummulated 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 a combination of forward foreign exchange contracts and foreign currency option 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

HARMON INDUSTRIES, INC. (DEC)

(Dollars in thousands)	1994	1993	1992
Net sales	$119,703	$99,295	$81,899
Cost of sales	81,023	65,716	54,271
Research and development expenditures	4,561	3,442	3,541
Gross profit	34,119	30,137	24,087
Selling, general and administrative expenses	21,176	18,558	15,646
Amortization of cost in excess of fair value of net assets of subsidiary acquired	78	134	134
Miscellaneous (income) expense—net	(34)	(20)	3
Operating income	12,899	11,465	8,304

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cost in Excess of Fair Value of Net Assets Acquired

Cost in excess of the fair value of net assets acquired is amortized on a straight-line basis generally over fifteen years.

OPTICAL COATING LABORATORY, INC. (OCT)

(Amounts in thousands)	1994	1993	1992
Net sales and other revenues	$131,780	$123,013	$115,016
Costs and Expenses:			
Cost of sales	84,001	81,885	69,958
Research and development	5,229	5,926	8,178
Selling and administrative	31,341	30,153	26,532
Restructuring charges		9,746	
Amortization of intangibles	648	446	
Total Costs and Expenses	121,219	128,156	104,668
Earnings (loss) from operations	10,561	(5,143)	10,348

Restructuring Of Operations

AVNET, INC. (JUN)

(Thousands)	1994	1993	1992
Revenues:			
Sales	$3,547,743	$2,237,954	$1,759,008
Investment income and other, net	4,786	20,393	27,226
	3,552,529	2,258,347	1,786,234
Cost and expenses:			
Cost of sales	2,851,681	1,751,195	1,350,679
Selling, shipping, general and administrative	481,448	367,837	320,378
Depreciation and amortization	27,127	16,160	18,347
Restructuring and integration (Note 14)	22,702	—	—
Interest	14,733	8,972	13,404
	3,397,691	2,144,164	1,702,808
Income before income taxes and cumulative effect of a change in accounting principle	154,838	114,183	83,426

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Restructuring and Integration Charges

During the first quarter of 1994, the Company recorded a special charge of $22,702,000 ($13,498,000 after tax or $0.33 per share) for restructuring and integration costs associated with the July 1, 1993 acquisition of HallMark and the restructuring of the Electrical and Industrial Group. These costs included accruals for severance, real and personal property lease terminations, relocation of employees, inventory adjustments related to supplier terminations and other items. As of the end of fiscal 1994, approximately $6,000,000 of the charge has not yet been utilized. It is currently anticipated that the remaining balance will be expended by the end of calendar 1994, except for amounts related to longer term real and personal property lease and severance commitments.

LIZ CLAIBORNE, INC. (DEC)

All dollar amounts in thousands	1994	1993	1992
Net Sales	$2,162,901	$2,204,297	$2,194,330
Cost of goods sold	1,407,694	1,453,381	1,364,214
Gross Profit	755,207	750,916	830,116
Selling, general and administrative expenses	604,421	568,286	507,541
Restructuring charge	30,000	—	—
Operating Income	120,786	182,630	322,575

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Restructuring charge

In December 1994, the Company recorded a $30.0 million restructuring charge. The amount includes $16.8 million related to the phase out of its First Issue business, $10.2 million for the streamlining of operating and administrative functions and $3.0 million for the restructuring of its Moderate Division. Principal items included in the charge are estimated contract termination costs, severance and related benefits for staff reductions, losses on contracts and the write-off of certain assets. This charge reduced net income by $18.9 million, or $.24 per common share. The remaining balance of the restructuring liability as of December 31, 1994 was $28,163,000. The majority of these liabilities should be paid or settled during the 1995 fiscal year.

HASBRO, INC. (DEC)

(Thousands of Dollars)	1994	1993	1992
Net revenues	$2,670,262	2,747,176	2,541,055
Cost of sales	1,161,479	1,182,567	1,094,031
Gross profit	1,508,783	1,564,609	1,447,024
Expenses			
Amortization	36,903	35,366	33,528
Royalties, research and development	273,039	280,571	249,851
Advertising	397,094	383,918	377,219
Selling, distribution and administration	493,570	498,066	461,888
Restructuring charges	12,500	15,500	—
Total expenses	1,213,106	1,213,421	1,122,486
Operating Income	295,677	351,188	324,538

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of Dollars)

13. Restructuring

During the fourth quarter of 1993, the Company recorded a restructuring charge of $15,500, primarily related to the closure of its manufacturing facility in The Netherlands. This closure was initially planned for the second quarter of 1994, however, the actions necessary to comply with local regulations relating to such closure took longer than anticipated and the closure will not be completed until the first quarter of 1995. As a result, the major portion of the liability established for this action remains to be paid.

During the third quarter of 1994, the Company recorded a restructuring charge of $12,500, primarily related to the reorganization of its Domestic Toy Group and the consolidation of its domestic manufacturing operations. While these actions have been substantially completed, due to timing of the pay-outs, a majority of the liability remains to be paid.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

(In millions of dollars)	1994	1993	1992
Net Sales	$3,351	$2,944	$2,878
Cost of Sales	2,536	2,266	2,234
Gross margin	815	678	644
Operating Expenses			
Marketing and administrative expenses	386	324	334
Science and technology expenses	71	69	65
Restructure costs (Note 5)	89	23	16
Other	43	26	16
Total operating expenses	589	442	431
Income from Operations	226	236	213

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Restructuring of Operations and Other Initiatives

During the first quarter of 1994, the Company recorded a $117 million pretax charge for productivity initiatives and other actions aimed at reducing costs and enhancing the Company's speed, focus, and efficiency. This $117 million pretax charge is comprised of an $89 million charge associated with the restructuring of the Company's business segments, as well as a $28 million charge, primarily composed of final costs associated with the administration of the Company's former commercial roofing business. The components of the $89 million restructure charge include: $48 million for personnel reductions, $22 million for divestiture of non-strategic businesses and facilities, $16 million for business realignments, and $3 million for other actions. The $48 million cost for personnel reductions primarily represents severance costs associated with the elimination of nearly 400 positions worldwide. The primary employee groups affected include science and technology personnel, field sales personnel, corporate administrative personnel, and commercial roofing and resin business personnel.

As of December 31, 1994, the Company has recorded approximately $50 million in costs against its 1994 restructure accrual of which $35 million represents actual cash expenditures and $15 million represents the non-cash effects of asset write-offs and business realignments. The $35 million cash expenditure includes personnel reduction costs of $22 million, primarily composed of partial payments of severance costs for over 300 employees. The remaining $13 million cash expenditure represents costs associated with the divestiture or realignment of businesses and facilities.

During the first quarter of 1993, the Company recorded a $23 million charge to reorganize its European operations. This charge included $17 million for personnel reductions and $6 million for the writedown of fixed assets.

During the fourth quarter of 1992, the Company recorded a $16 million charge to reorganize its Building Products segment and to centralize its accounting and information systems. This charge included $14 million for personnel reductions and $2 million for the writedown of assets.

RAYTHEON COMPANY (DEC)

(In thousands)	1994	1993	1992
Net sales	$10,012,855	$9,201,197	$9,058,216
Cost of sales	7,752,567	7,174,279	7,057,473
Administrative and selling expenses	912,313	827,551	817,248
Research and development expenses	269,613	279,448	289,869
Restructuring provision (note A)	249,751	—	—
Total operating expenses	9,184,244	8,281,278	8,164,590
Operating income	828,611	919,919	893,626

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Restructuring Provision

The company recorded in the first quarter of 1994 a restructuring provision of $249.8 million before tax. The restructuring was driven by the significant reductions in the defense budget and increasing commercial competition. Approximately 65 percent of the restructuring costs are attributable to Raytheon's defense business and the remainder to its commercial business. The company-wide plan will result in personnel reductions of approximately 4,400 people, including both salaried and bargaining unit employees located in Massachusetts and other states and in foreign locations. The restructuring provision includes estimated costs for employee severance and other benefits of $71 million, asset write-downs of $55 million and idle facility related costs of $124 million. Cash flow expenditures, net of tax recovery of $87 million, were $67 million in 1994 and will be $32 million in 1995, and are funded by the company's cash flow from operating activities. The restructuring plan, when fully implemented, will result in annual savings of $280 million, which will help the company's competitive position in a shrinking defense market and improve productivity in its commercial businesses. Through year-end 1994, $92.5 million of restructuring costs has been incurred, of which $22.1 million was employee related costs and $70.4 million was related to asset disposals, idle facilities, and rearrangement costs. Additionally, 3,600 employees have been notified of termination, of which 2,200 have actually been terminated. The spending is expected to be essentially completed by the end of 1995.

TASTY BAKING COMPANY (DEC)

	1994	1993	1992
Net sales	$142,055,111	$137,772,730	$138,381,391
Costs and expenses:			
Cost of sales	84,921,787	82,603,806	84,598,553
Depreciation	7,327,385	6,784,732	6,991,671
Selling, general and administrative	40,713,980	40,684,291	40,644,071
Restructure charge	1,240,000	—	—
Interest expense	803,688	838,184	1,175,164
Provision for doubtful accounts	592,040	530,980	245,012
Other income, net	(3,164,684)	(3,262,708)	(3,414,411)
	132,434,196	128,179,285	130,240,060
Income from continuing operations before provision for income taxes	9,620,915	9,593,445	8,141,331

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Restructuring Program:

During the second quarter of 1994, the company implemented a restructuring program (the Program) designed to enhance overall competitiveness, productivity and efficiency through the reduction of overhead costs. The Program resulted in a pre-tax charge of $1,240,000 in the second quarter of 1994 which had an after-tax effect of $719,200 or $.12 per share. This charge principally reflects the severance costs resulting from workforce reductions and realignments throughout the company. During 1994, payments approximating $531,000 were made in connection with the Program.

Write-Down Of Assets

BAUSCH & LOMB INCORPORATED (DEC)

Dollar Amounts In Thousands	1994	1993	1992
Net Sales	$1,850,552	$1,872,184	$1,709,086
Costs And Expenses			
Cost of products sold	900,733	841,429	778,684
Selling, administrative and general	720,633	672,022	606,889
Research and development	60,421	57,864	53,268
Goodwill impairment charge	75,000	—	—
Restructuring charges	—	50,000	—
	1,756,787	1,621,315	1,438,841
Operating Earnings	93,765	250,869	270,245

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Goodwill Impairment

At December 1994, the Company recognized a goodwill impairment charge of $75,000,000, with no associated tax benefit, related to the 1988 acquisition of Dental Research Corporation. This goodwill recognized the *Interplak* product as the foundation for a broad-based, global consumer oral care business. Recently, the Company has experienced intense competition for this product, a significant decline in market share and operating losses. In December 1994, a series of decisions was made fundamentally realigning oral care operations. This reflects the Company's belief that directing future significant strategic investments toward its core and emerging businesses will offer better opportunities for realizing higher rates of return than its consumer oral care business in the long-term. This has greatly reduced the expected life cycle and estimated future cash flows for this business. Other December 1994 decisions included the centralization of management of worldwide oral care operations under the U.S. Oral Care Division and the redirection of management of most non-U.S. oral care operations to selected distributors.

In determining the amount of the impairment charge, the Company developed its best estimate of operating cash flows over the remaining business life cycle, assumed to be 14 years. Future cash flows, excluding interest charges, were discounted using an estimated 8.6% incremental borrowing rate. These projections, after taking into account significant one-time expenses, including cost reduction measures implemented during 1994 and development and product launch expenses associated with the new technology *Interplak* product introduced during the fourth quarter, reflect a 6.5% average return on sales in the years 1995-1997. In subsequent years, a continuing reduction in average return on sales is projected as the Company's strategic investments are directed toward other businesses. Resulting discounted cash flows are expected to decline at a compound rate of 24% between 1997 and 2004. Discounted annual cash flows are projected to average less than $1,000,000 beyond 2004.

EG&G, INC. (DEC)

(Dollars in thousands)	1994	1993	1992
Sales:			
Products	$ 750,649	$ 725,627	$ 750,878
Services	581,907	593,789	569,203
Total Sales	1,332,556	1,319,416	1,320,081
Costs and Expenses			
Cost of sales:			
Products	486,564	472,262	499,292
Services	508,045	498,791	483,875
Total cost of sales	994,609	971,053	983,167
Research and development expenses	38,585	34,664	32,088
Selling, general and administrative expenses	239,609	226,215	236,041
Goodwill write-down (Note 8)	40,300	—	—
Restructuring charges	30,400	—	—
Total Costs and Expenses	1,343,503	1,231,932	1,251,296
Operating Income (Loss) From Continuing Operations	(10,947)	87,484	68,785

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible Assets

Intangible assets were shown net of accumulated amortization of $31.6 million and $25.5 million at January 1, 1995 and January 2, 1994, respectively. The $11.9 million net decrease in intangible assets resulted primarily from the $40.3 million write-down of goodwill and current year amortization partially offset by increases due to the IC Sensors and NoVOCs acquisitions and by the effect of translating goodwill denominated in non-U.S. currencies at current exchange rates.

The continued decline in the financial results of the operating elements of the Company's Berthold business acquired in 1989, the resultant strategic and operational review and the application of the Company's objective measurement tests resulted in an evaluation of goodwill for possible impairment. The underlying factors contributing to the decline in financial results included changes in the marketplace, delays in customer acceptance of new technologies and worldwide economic conditions. The Company calculated the present value of expected cash flows to determine the fair value of the business, using a discount rate of 12% which represents the Company's weighted average cost of capital. The evaluation resulted in a $39.2 million write-down in the third quarter of 1994 of Berthold's goodwill balance of $76 million. The evaluation also led the Company to determine that the remaining amortization period for the goodwill should be reduced from 36 years to 16 years based on the factors identified above. In the third quarter of 1994, the Company also wrote off $1.1 million of a small Optoelectronics unit's goodwill.

THE INTERLAKE CORPORATION (DEC)

(in thousands)	1994	1993	1992
Net Sales	$752,592	$681,330	$708,199
Cost of Products Sold	576,929	520,508	527,857
Selling and Administrative Expense	117,264	117,025	127,436
Restructuring Charge	—	5,611	2,523
Goodwill Write-down (see note 2)	34,174	—	—
Operating Income	24,225	38,186	50,383

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts in thousands)

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

Goodwill—Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line method over periods not exceeding thirty years. The Company carries its goodwill assets at their purchase prices, less amortized amounts, but subject to annual review for impairment. During the fourth quarter of 1994, the Company changed its accounting policy for valuation of its long-lived assets, primarily goodwill, to reflect its cost of capital in calculating the present value of the projected future cash flows expected to be generated over the lives of those assets. Previously, the cash flows were used without discounting or allocation of interest cost. Under the new policy, projections of cash flows for individual business units are discounted at the approximate incremental cost of borrowing for the Company. This discounted amount is then compared to the carrying value of the long-lived assets to determine if their value is impaired (see Note 2).

Note 2—Goodwill Write-Down

Prior to the fourth quarter of 1994, impairment with respect to the Company's long-lived assets was determined by comparing the sum of the undiscounted projected future cash flows attributable to each business unit to the carrying value of the assets of that business unit. Projected future cash flows for each business unit were estimated for a period approximating the remaining lives of that business unit's long-lived assets, based on earnings history, market conditions and assumptions reflected in internal operating plans and strategies. In 1993, under this analysis, the Company determined that the cash flows from each business unit would be sufficient to recover the carrying value of its long-lived assets and, therefore, that the value of such assets was not impaired.

In the fourth quarter of 1994, the Company concluded that, in the light of its highly leveraged capital structure, a preferable accounting policy for analyzing the potential impairment of long-lived assets would be to reflect the cost of capital in computing the present value of the expected cash flows of its businesses. Applying this new policy to all of its long-lived assets the Company determined, with respect to its Aerospace Components and newspaper-related Packaging businesses, that in the light of the significant deterioration in business climates in the aerospace and newspaper industries over recent years, the values of the discounted cash flows were insufficient to recover the carrying value of the long-lived assets. Therefore, the goodwill included among those assets was deemed to be impaired. As a result, a charge of $34,174 was recorded for the write-down of goodwill established in connection with the acquisitions of the Aerospace Components and newspaper-related Packaging businesses. As of December 25, 1994, the remaining net investment in these businesses was approximately equal to the value of the discounted projected cash flows attributable to them, and consisted primarily of tangible assets.

The Company intends to continue to annually assess the carrying values of its long-lived assets using the analysis described above.

KAMAN CORPORATION (DEC)

(In thousands)	1994	1993	1992
Revenues:			
Net sales	$819,182	$792,510	$782,850
Other	1,592	1,582	1,882
	820,774	794,092	784,732
Costs and expenses:			
Cost of sales	611,762	588,237	583,638
Selling, general and administrative expense	173,853	173,581	164,603
Interest expense	4,694	6,976	7,086
Restructuring, impairment and other costs	44,000	69,500	—
Other expense (income)	646	(3,728)	401
	834,955	834,566	755,728
Earnings (loss) before income taxes	(14,181)	(40,474)	29,004

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

Restructuring, Impairment and Other Costs

The corporation recorded pre-tax charges in 1994 and 1993, both reflecting its strategy for addressing trends in U.S. defense planning and spending priorities. Specifically, in 1994 the corporation recorded charges of $44.0 million before taxes ($32.1 million after taxes or $1.76 per common share); in 1993, the charge was $69.5 million before taxes ($45.5 million after taxes or $2.52 per common share).

The 1994 fourth quarter charge of $44.0 million represents a write-down of the corporation's investment in Raymond Engineering, a diversified technologies subsidiary, in anticipation of a reduction in the size of its operation and certain of its product lines, and its merger into Kaman Aerospace, another Kaman subsidiary. When fully implemented, the consolidation is expected, on an overall basis, to result in reduced overheads and enhanced administrative and operational efficiency. This will assist the merged organization in positioning itself to compete more effectively in a defense environment which seems increasingly likely to favor the use of commercial technology products where possible. Approximately seventy percent (70%) of the charge represents the write-down of impaired assets, including goodwill, facilities and equipment, and inventories. A variety of factors have contributed to the impairment of Raymond's assets. These include defense spending reductions, changes in defense planning and spending priorities, and more recently, technological evolution in certain product areas where Raymond has done business. In order for Raymond to compete in these product areas in the future, varying levels of investment in technological development would be required. In the fourth quarter of 1994, the corporation determined that it was not economically feasible to make such investments in those products which are unable to demonstrate potential for success. Consequently, the corporation's best estimate of Raymond's forecasted future operations, including interest expense, is that they do not support the recoverability of goodwill and a certain amount of facilities and equipment, which has resulted in the write-down of approximately $25,500 for these items. In addition, inventories whose cost is not expected to be recovered have been written down to estimated net realizable value during the fourth quarter. The remainder of the charge relates to personnel reductions and other expenses associated with downsizing Raymond's business. The majority of work force reductions involve management and administrative employees whose functions are redundant to the merged organization. Severance payments of approximately $2,500 are to be made in accordance with Raymond's written severance pay policy and, in certain cases, individually negotiated agreements. Other expenses include contract close-out costs of $6,500 and related expenses of $4,000 which will not benefit the continuing activities of the merged organization.

The 1993 third quarter charge of $69.5 million represented restructuring and other costs in connection with its plan to reduce the size of its defense and commercial aircraft manufacturing business and develop defense conversion initiatives. About sixty percent (60%) of the charge represents the write-off of costs for development, retooling, and start-up of the conversion initiatives, notably K-MAX®. The balance relates to personnel and facility reductions, contract close-out and related expenses associated with the downsizing of the defense and commercial manufacturing businesses.

Minority Interest

WINNEBAGO INDUSTRIES, INC. (AUG)

(dollars in thousands)	1994	1993	1992
Revenues			
Manufactured products	$432,406	$364,860	$281,124
Service	19,710	19,223	13,870
Total revenues	452,116	384,083	294,994
Costs and expenses			
Cost of manufactured products	371,995	316,230	249,498
Cost of services	11,473	14,620	13,165
Selling and delivery	26,882	21,875	18,691
General and administrative	24,536	23,388	16,853
Other expense (income)	262	188	(952)
Minority interest in net income (loss) of consolidated subsidiary	174	(505)	(1,173)
Total costs and expenses	435,322	375,796	296,082
Operating income (loss)	16,794	8,287	(1,088)

Environmental Cleanup

BRENCO, INCORPORATED (DEC)

	1994	1993	1992
Net Sales	$117,897,044	$98,723,878	$83,652,308
Costs and Expenses:			
Cost of goods sold	88,313,611	77,250,896	69,211,320
Administrative and selling expenses	14,413,648	12,161,980	10,952,890
	102,727,259	89,412,876	80,164,210
Operating Income	15,169,785	9,311,002	3,488,098
Interest Expense	(798,671)	(740,844)	(218,000)
Gain (Loss) on Sale of Assets	972,519	(11,835)	—
Special Charge for Environmental Expenditures (Note 8)	(1,490,000)	(2,300,000)	(300,000)
Other Income	701,329	634,243	244,496
Income before Income Taxes	14,554,962	6,892,566	3,214,594

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Environmental Remediation Project and Compliance

During 1994, the company completed an environmental remediation project at a former foundry site that has been inactive since 1979. The remediation process actually began in 1992 upon approval from the appropriate state regulatory agency. The total cost of the remediation project was approximately $7,000,000, which has been charged to income in various amounts each year since 1989.

The effect of these special charges in 1994 for the remediation expenditures was to reduce net income by $915,000 or $.09 per share. The charges in 1993 decreased net income by $1,414,000 or $.14 per share, and 1992 charges reduced net income by approximately $185,000, or $.02 per share.

The company believes the remediation project to be complete.

TOSCO CORPORATION (DEC)

(Thousands of Dollars)	1994	1993	1992
Sales	$6,365,757	$3,559,217	$1,860,969
Cost of sales	6,105,293	3,307,492	1,728,305
Inventory valuation (recovery) writedown	(17,651)	17,651	
Environmental cost accrual	6,000		25,000
Selling, general and administrative expense	84,123	58,174	38,728
Interest expense	58,315	48,868	23,941
Interest income	(4,172)	(4,722)	(6,018)
	6,231,908	3,427,463	1,809,956
Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	133,849	131,754	51,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Note 15 (In Part): Commitments and Contingencies

Tosco is subject to extensive federal, state and local regulation of environmental and permitting matters relating to its petroleum refining and marketing operations. These regulations are complex and subject to differing interpretations, and Tosco is currently involved in a number of proceedings and discussions regarding the removal and mitigation of the environmental effects of subsurface liquid hydrocarbons and alleged levels of hazardous waste at the Avon Refinery and other locations, including Tosco's Spokane, Washington terminal which is located in a site on the Superfund National Priorities List. Tosco recorded environmental cost accruals of $6,000,000 and $25,000,000 for 1994 and 1992, respectively, based upon a determination that investigative work and remedial actions would be required.

In July 1993, outstanding litigation concerning environmental issues was settled with the predecessor owners of the Avon Refinery (Settlement Agreement). Under the Settlement Agreement, the former owners agreed to pay up to $18,000,000 for one-half of the costs that may be incurred for compliance with certain environmental orders and to provide Tosco with a $6,000,000 credit for past expenses (which Tosco will use to reduce its one-half share of future costs). After the initial term of the Settlement Agreement (the later of four years or until the $36,000,000 shared cost maximum is expended), the parties may elect to continue the Settlement Agreement or to reinstate litigation. Tosco and the former owners have established a committee to review and approve expenditures for environmental investigative and remedial actions at the Avon Refinery. Through December 31, 1994, the committee has spent approximately $1,200,000 on such matters. Remedial actions are subject to negotiation with governmental agencies and therefore the timing and amount of future cash expenditures is uncertain. In addition, further investigative work and negotiations with the governmental agencies may result in additional remedial actions which Tosco cannot presently predict. Tosco has not relinquished its right to make claims for reimbursement of future costs and is not required to reimburse amounts received under the Settlement Agreement. Tosco received $3,474,000 in 1994 in partial settlement of litigation cost reimbursement claims from its insurance carriers and is pursuing additional recoveries and reimbursement under insurance policies in effect during the applicable periods of coverage.

By agreement, Exxon is responsible for environmental obligations related to or arising out of its ownership and operation of the Bayway Refinery, as will be set forth in a list to be prepared under administrative consent orders between Exxon and the State of New Jersey. Bayway has the right, for a period of one year following the expected 1997 completion date of such list, to add additional items to the list. Responsibility for clean-up projects thereafter identified will be shared by Exxon and Tosco based on their respective length of ownership. Tosco has also received indemnifications with respect to environmental obligations arising out of or relating to the period prior to the respective acquisition dates of the Ferndale Refinery and retail assets in the Pacific Northwest and Northern California from BP, and the Arizona retail properties from Exxon (Note 2).

Environmental exposures are difficult to assess and estimate for numerous reasons including the complexity and differing interpretations of governmental regulations, the lack of reliable data, the number of potentially responsible parties and their financial capabilities, the multiplicity of possible solutions, the years of remedial and monitoring activity required, and the identification of new sites. While Tosco believes that it has adequately provided for environmental exposures, should these matters be resolved unfavorably to Tosco, they could have a material adverse effect on its long-term consolidated financial position and results of operations.

Equity In Losses of Investees

DOW JONES & COMPANY, INC. (DEC)

(in thousands)	1994	1993	1992
REVENUES:			
Information services	$976,800	$861,979	$809,387
Advertising	724,990	699,009	654,598
Circulation and other	389,187	370,828	353,885
Total revenues	2,090,977	1,931,816	1,817,870
EXPENSES:			
News, operations and development	642,184	580,636	534,984
Selling, administrative and general	681,244	642,772	634,766
Newsprint	107,178	106,357	93,299
Second class postage and carrier delivery	96,751	96,926	94,818
Depreciation and amortization	205,303	188,665	179,312
Operating expenses	1,732,660	1,615,356	1,537,179
Operating income	358,317	316,460	280,691
OTHER INCOME (DEDUCTIONS):			
Investment income	4,884	5,060	6,829
Interest expense	(16,858)	(22,555)	(30,355)
Equity in (losses) earnings of associated companies	(5,434)	72	(4,190)
Other, net	(2,097)	(12,797)	(18,638)
Income before income taxes	338,812	286,240	234,337

Litigation Settlement

ADVANCED MICRO DEVICES, INC. (DEC)

(Thousands)	1994	1993	1992
Net Sales	$2,134,659	$1,648,280	$1,514,489
Expenses:			
Cost of sales	982,306	789,564	746,486
Research and development	279,984	262,802	227,860
Marketing, general, and administrative	359,230	290,861	270,198
	1,621,520	1,343,227	1,244,544
Operating income	513,139	305,053	269,945
Litigation settlement	(58,000)	—	—
Interest income and other, net	16,259	16,490	18,913
Interest expense	(1,844)	(2,910)	(17,227)
Income before income taxes and equity in joint venture	469,554	318,633	271,631

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Contingencies

AMD/Intel Litigations

On January 11, 1995, the company and Intel Corporation reached an agreement to settle all previously outstanding legal disputes between the two companies. The major terms of the settlement are: (1) AMD will have a fully paid-up, nonexclusive, worldwide, royalty-free, perpetual license to copy and distribute the microcode and control code in the Intel287™, Intel 386™ and Intel486™ microprocessor product families. (2) AMD agreed that it has no right to copy any other Intel microcode including the Pentium™ Processor, the P6 microcode and the 486 ICE (in-circuit emulation) microcode. (3) The companies agreed to negotiate a new patent cross-license agreement to become effective January 1, 1996. (4) AMD agreed to pay Intel $58 million in settlement of claims for past damages related to AMD's distribution of Am486 microprocessors containing Intel's 486 ICE microcode. As ordered in a 1992 arbitration between the companies, Intel will pay AMD approximately $18 million in damages (which includes interest) awarded by the arbitrator for breach of contract and will not contest certain rights granted AMD in the arbitration. The company recorded both the ICE case damages and the arbitration award in 1994. (5) Intel and AMD will drop all cases against each other, including appeals, currently pending in the courts. (6) AMD will have the right to use foundries for Am486 products containing Intel microcode for up to 20 percent of annual total unit shipments of Am486 microprocessors. (7) AMD and its customers will receive a license for Intel's "Crawford '338" patent, covering memory management. (8) The two companies agreed not to initiate legal action against one another for any activity occurring prior to January 6, 1995.

Sale Of Assets

NORTEK, INC. (DEC)

(In Thousands)	1994	1993	1992
Net Sales	$737,160	$744,113	$799,979
Costs and Expenses:			
Cost of products sold	520,328	532,488	595,177
Selling, general and administrative expense	166,815	181,279	184,366
	687,143	713,767	779,543
Operating earnings	50,017	30,346	20,436
Interest expense	(26,162)	(26,519)	(29,232)
Interest income	5,295	3,223	4,446
Net gain on investment and marketable securities	—	1,650	850
Loss on businesses sold	(1,750)	(20,300)	(14,500)
Earnings (loss) from continuing operations before provision for income taxes	27,400	(11,600)	(18,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Businesses Sold

On March 31, 1994, the Company sold all the capital stock of Dixieline for approximately $18,800,000 in cash and $6,000,000 in preferred stock of the purchaser. In the third quarter of 1993, the Company provided a valuation allowance of approximately $20,300,000 ($1.19 per share, net of tax) to reduce the Company's net investment in Dixieline to estimated net realizable value. No additional loss in 1994 was incurred in connection with this sale. In January 1995, the Company paid approximately $1,750,000 ($.14 per share, net of tax) as a final purchase price adjustment related to one of its businesses sold and recorded a charge to earnings in the fourth quarter of 1994.

Interest Rate Swap Loss

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

(In millions)	1994	1993	1992
Sales and Other Income			
Sales	$3,485.3	$3,327.7	$3,217.3
Other income (expense), net	(1.5)	27.8	8.8
	3,483.8	3,355.5	3,226.1
Costs and Expenses			
Cost of sales	2,111.5	2,029.9	1,936.7
Selling, distribution, and administrative	788.8	744.0	723.7
Research and development	97.4	92.3	85.2
Workforce reduction and asset write-downs	—	120.0	—
Operating Income	486.1	369.3	480.5
Income from equity affiliates net of related expenses	28.5	11.8	6.7
Gain on sale of investment in equity affiliates	—	1.0	9.1
Loss on leveraged interest rate swaps (Note 6)	107.7	—	—
Interest expense	81.6	81.3	89.3
Income Before Taxes	325.3	300.8	407.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Interest Rate Hedge Agreements

The company entered into five highly leveraged interest rate swap contracts with a notional value of $202.7 million during the first quarter of fiscal 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts had been accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107.7 million on these derivative contracts. This loss reflects the costs to terminate or close these contracts. The termination and closure of these derivative contracts has eliminated any further earnings impact from these contracts due to changes in interest rates. The company will not enter into any future interest rate swap contracts which lever an unfavorable move in interest rates on a greater than one-to-one basis. The closure of the two highly leveraged interest rate swap contracts has resulted in a $66.0 million liability. Additionally, the company terminated in 1994 a number of smaller interest rate hedge agreements and an interest rate hedge and currency swap contract and recognized a loss of $13.9 million. This loss is recognized in the consolidated income statement as $12.2 million foreign exchange loss included in other income and $1.7 million interest expense.

Business Combination Costs

NEOSTAR RETAIL GROUP, INC. (JAN)

(in thousands)	1995	1994	1993
Net sales	$503,656	$480,407	$412,551
Cost of sales	367,188	349,930	294,911
Gross profit	136,468	130,477	117,640
Store operating expenses	109,240	94,838	78,155
General and administrative expenses	18,152	17,034	15,732
Business combination costs	14,961	—	—
Store closing expense	381	274	346
Operating income (loss)	(6,266)	18,331	23,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Basis of Presentation, Organization and Business

The business combination was accounted for as a pooling of interests. Accordingly, the merger of the equity interests has been given retroactive effect, and NeoStar's consolidated financial statements for periods prior to the business combination represent the combined financial statements of the previously separate entities adjusted to conform to the accounting policies adopted by NeoStar.

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Costs incurred in connection with the business combination have been charged to the results of operations for the fiscal year ended January 28, 1995 and are summarized as follows (in thousands):

Transaction costs	$4,048
Severance	2,914
Elimination of duplicate facilities, equipment, and inventories	7,999
	$14,961

The severance relates to 133 employees whose positions will be eliminated due to the elimination of duplicate facilities and functions.

Unsolicited Offer Costs

PURITAN-BENNETT CORPORATION (JAN)

Dollars in thousands	1995	1994	1993
Net Sales	$336,026	$309,255	$300,060
Cost of Goods Sold	196,387	180,584	169,908
Gross Profit	139,639	128,671	130,152
Selling and Administrative Expense	96,112	95,756	83,178
Research and Development Expense	19,978	24,887	25,849
Restructuring Charges	2,654	43,169	—
Operating Income (Loss)	20,895	(35,141)	21,125
Other Income (Expense)			
Interest Income	372	477	572
Interest Expense	(5,830)	(4,565)	(3,720)
Costs Associated with an Unsolicited Offer to Acquire the Company	(5,049)	—	—
Miscellaneous, Net	980	71	430
Total Other Income (Expense)	(9,527)	(4,017)	(2,718)
Income (Loss) Before Income Taxes	11,368	(39,158)	18,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Costs Associated with an Unsolicited Offer to Acquire the Company

During 1995, the Company recorded charges of $5,049,000 for costs incurred associated with an unsolicited offer to acquire the Company. These costs include investment banking fees, public fees, public relations expenses and legal fees. Of the total charges, $4,067,000 remained in accrued liabilities at January 31, 1995. The Company expects to pay this amount during the first half of FY 1996.

The estimated investment banking fees ($4,309,000 included in the charge described above) were derived by a formula set forth in the contract between the Company and the investment banking firm. Components of this formula include the number of shares outstanding and the stock price at the time such fees become payable in full. The Company estimated the fee using the closing stock price as of January 31, 1995, which was $21.25 per share and was considered to be the best estimate at that time. Until such fees become payable in full, the Company will revise its estimate of such fees quarterly based upon the closing stock price and any other circumstances relevant to the contract as of the close of the reporting period. Legal fees and public relations expenses will continue to be based upon the costs of services actually rendered during the respective period.

Nonrecurring/Unusual Losses

ACME METALS INCORPORATED (DEC)

(in thousands)	1994	1993	1992
Net sales	$522,880	$457,406	$391,562
Costs and expenses:			
Cost of products sold	431,615	397,526	347,624
Depreciation expense	14,977	14,657	14,392
Gross profit	76,288	45,223	29,546
Selling and administrative expense	33,249	30,633	28,901
Nonrecurring charge	9,459	1,925	
Restructuring charge			2,700
Operating income (loss)	33,580	12,665	(2,055)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nonrecurring Charge:

During 1994, the Company completed financing for its Modernization and Expansion Project. As a result of the decision to commence with this project, the Company recorded a $9.5 million (pre-tax) nonrecurring charge. The nonrecurring charge was recorded to address the impairment of the existing steelmaking facilities and contractual employee reduction costs related to the construction and commissioning of the Modernization and Expansion Project.

The Company recorded a $1.9 million nonrecurring charge in 1993 including $1.3 million in connection with a decision made during the year to permanently idle Acme Steel's No. 3 Hot Strip Mill and Billet Mill; a $0.6 million charge to close Acme Packaging's Pittsburg-East facility in California; and, the elimination of a strapping line at its New Britain, Connecticut facility following a determination made during the year to consolidate production facilities and eliminate unprofitable lines.

BECTON, DICKINSON AND COMPANY (SEP)

Thousands of dollars	1994	1993	1992
Revenues	$2,559,461	$2,465,405	$2,365,317
Cost of products sold	1,399,634	1,368,402	1,301,621
Selling and administrative expense	660,072	660,508	609,897
Research and development expense	144,227	139,141	125,207
Special charges	30,490	26,929	—
Total Operating Costs and Expenses	2,234,423	2,194,980	2,036,725
Operating Income	325,038	270,425	328,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars

Note 4—Special Charges

In the fourth quarter of 1994, the Company recorded special charges of $30,490, primarily related to write-offs of property, plant and equipment, inventories and other assets associated with decisions made in the fourth quarter to exit specific product lines and refocus certain businesses.

In 1993, the Company recorded special charges of $26,929 consisting principally of a provision to adjust the carrying values of idle and underperforming assets to estimated net realizable values. The provision was based on a periodic review of worldwide assets to determine whether there had been a permanent decline in the value of any assets due to manufacturing productivity improvements, refinements in strategic direction or declines in general real estate or market values.

HILLENBRAND INDUSTRIES, INC. (NOV)

(Dollars in thousands)	1994	1993	1992
Net revenues	$1,577,034	$1,447,913	$1,303,062
Cost of revenues	847,870	747,519	674,377
Administrative, distribution and selling expenses	485,369	466,116	431,892
Unusual charge (Note 12)	84,750	—	—
Operating Income	159,045	234,278	196,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Contingencies

On September 19, 1994, subsequent to trial on the issues, the Company settled a patent infringement suit brought by Kinetic Concepts, Inc. against the Company, for a cash payment of $84.8 million. The settlement amount was reflected in third quarter results as an unusual charge to operations of $84.8 million ($52.5 million, or $.74 per share, after tax) and payment was made in the fourth quarter. From the date of the initial claim until the trial commencing August 29, 1994, the Company believed that the outcome of the trial or any settlement of the matter would not have a significant effect on the Company's financial condition or results of operations. The settlement of the patent infringement suit will not affect future operating results.

ELI LILLY AND COMPANY (DEC)

(Dollars in millions)	1994	1993	1992
Net sales	$5,711.6	$5,198.5	$4,963.1
Cost of sales	1,679.7	1,448.0	1,417.5
Research and development	838.7	755.0	731.0
Acquired research	58.4	—	—
Marketing and administrative	1,398.3	1,332.4	1,247.0
Restructuring and special charges (Note 3)	66.0	1,032.6	404.4
Other income—net	(28.1)	(32.3)	(30.3)
	4,013.0	4,535.7	3,769.6
Income from continuing operations before income taxes and cumulative effect of changes in accounting principles	1,698.6	662.8	1,193.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Restructuring and Special Charges

In 1994, the company incurred $66 million of pretax charges associated with the March 31 voluntary recall of three of its liquid oral antibiotics. The recall, which was initiated by the company after consultation with the FDA, was made after four instances were reported of small plastic caps being found in the antibiotics. Shipments of all three products were resumed during the second and third quarters.

In both 1993 and 1992, the company took actions designed to enhance the company's competitiveness in the changing health care environment, reduce expenses, and improve efficiencies. As a result of these actions, the company recognized restructuring and special charges relating to continuing operations in the amounts of $1,032.6 million and $404.4 million for 1993 and 1992, respectively. (Restructuring costs and special charges relating to the MDD division that amounted to $140.1 million and $161.3 million in 1993 and 1992, respectively, have been included in discontinued operations. See Note 4 for a further discussion.) Restructuring costs include those amounts that arose as a direct result of management's commitment to revised strategic actions. Special

charges represent unusual, generally nonrecurring expense items.

TYSON FOODS, INC. (SEP)

(In thousands)	1994	1993	1992
Sales	$5,110,270	$4,707,396	$4,168,840
Cost of Sales	4,149,050	3,796,539	3,390,343
	961,220	910,857	778,497
Operating Expenses:			
Selling	426,495	397,361	322,221
General and administrative	95,895	107,201	95,102
Amortization	29,714	30,753	29,502
Special charges	213,924		
	766,028	535,315	446,825
Operating Income	195,192	375,542	331,672

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and Special Charges

During the third quarter of fiscal 1994, the Company recorded special charges for the excess of investments over net assets acquired totaling approximately $191 million plus an additional $23 million for impaired long-lived assets of Arctic. The impact of these special charges after-tax was approximately $205 million or $1.38 per share.

Government restrictions on fishing, intense industry competition and fluctuations in market prices have continued to adversely affect Arctic. Based on Arctic's continued performance below pre-acquisition expectations, the Company made an impairment evaluation and determined that Arctic's balance of excess of investments over net assets acquired would not be recovered.

The methodology used to assess the recoverability of Arctic's excess of investments over net assets acquired involved projecting aggregate cash flows. The Company's projection assumes that Arctic's sales volumes and prices would be comparable to the results for 1994. Due to government restrictions on fishing and the addition into the fishing waters of the North Pacific of new higher production capacity vessels by competitors, the Company did not assume any increases in volume for the projected cash flows. The aggregate undiscounted value of these projected cash flows are sufficient only to recover a portion of the carrying value of the tangible net assets of Arctic and would not provide any recovery of the $191 million of excess of investments over net assets acquired related to Arctic. Additionally, the Company's projection indicated that approximately $23 million of Arctic's long-lived assets were impaired. The Company believes that its projection, based on recent historic trends and current market conditions, is its best estimate of Arctic's future performance, although there can be no assurances that such estimates will be indicative of future results, which ultimately may be less than or greater than these estimates.

UNIFI, INC. (JUN)

(Amounts in thousands)	1994	1993	1992
Net sales	$1,384,797	$1,405,651	$1,322,910
Costs and expenses:			
Cost of sales	$1,185,386	$1,141,126	$1,090,611
Selling, general and administrative expense	40,429	38,484	38,530
Interest expense	18,241	25,785	16,756
Interest income	(8,290)	(13,537)	(5,306)
Other (income) expense	(1,238)	(5,775)	(1,598)
Non-recurring charge	13,433	—	—
Merger costs and expenses	—	—	24,805
	$1,247,961	$1,186,083	$1,163,798
Income before taxes	$ 136,836	$ 219,568	$ 159,112

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Non-recurring Charge

In the fiscal 1994 fourth quarter, the Company recorded a non-recurring charge of $13.4 million ($14.1 million after-tax or $.20 per share) related to the planned sale of the Company's investment in its wholly-owned French subsidiary, Unifi Texturing, S.A. (UTSA) and the Company's decision to exit the European nylon market. Of the non-recurring charge, $3.1 million relates to the loss from the sale of UTSA, $8.8 million relates to the write-off of goodwill and other intangibles associated with the Company's European nylon operations and $1.5 million relates to the write-down of nylon production equipment and inventories. The net sales and net income of UTSA included in the Company's consolidated results of operations were not significant during any of the periods presented.

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. The aforementioned tables indicate that during 1994 many survey companies changed at least one actuarial assumption rate.

Examples of pension plan disclosures follow.

TABLE 3-8: ASSUMED DISCOUNT RATE

%	1994	1993	1992	1991
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	1	—	—
6	—	4	1	—
6.5	4	15	7	2
7	24	179	21	12
7.5	61	163	34	25
8	168	64	165	117
8.5	187	32	165	182
9	27	15	75	107
9.5	1	—	7	23
10	—	—	2	4
10.5	—	—	1	—
11	—	—	—	—
11.5 or greater	—	—	—	1
Not disclosed	5	4	4	8
Companies Disclosing Defined Benefit Plans	**477**	**477**	**482**	**481**

TABLE 3-9: ASSUMED RATE OF COMPENSATION INCREASE

%	1994	1993	1992	1991
4.5 or less	118	128	28	22
5	182	167	128	108
5.5	88	80	101	94
6	42	52	147	158
6.5	10	10	28	37
7	4	3	10	22
7.5	2	1	5	5
8	—	—	2	4
8.5	—	1	3	—
9	—	—	2	3
9.5	—	—	—	—
10	—	—	—	—
10.5	—	—	—	—
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	31	35	28	28
Companies Disclosing Defined Benefit Plans	**477**	**477**	**482**	**481**

TABLE 3-10: EXPECTED RATE OF RETURN

%	1994	1993	1992	1991
4.5 or less	—	1	—	—
5	1	—	—	—
5.5	—	—	—	—
6	2	2	3	2
6.5	—	1	1	—
7	4	5	4	7
7.5	17	16	12	9
8	54	54	49	51
8.5	72	52	39	39
9	146	150	148	139
9.5	87	80	78	80
10	62	76	92	87
10.5	13	15	19	19
11	7	8	12	20
11.5 or greater	4	9	17	16
Not disclosed	8	8	8	12
Companies Disclosing Defined Benefit Plans	**477**	**477**	**482**	**481**

Defined Benefit Plans

AMERICAN BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Other Retiree Benefits (In Part)

The Company has a number of pension plans covering substantially all employees. The plans provide for payment of retirement benefits, mainly commencing between the ages of 60 and 65, and also for payment of certain disability and severance benefits. After meeting certain qualifications, an employee acquires a vested right to future benefits. The benefits payable under the plans are generally determined on the basis of an employee's length of service and earnings. Annual contributions to the plans are sufficient to satisfy legal funding requirements.

U.S. Pension Plans

The components of net pension costs are as follows:

(In millions)	1994	1993	1992
Service cost	$24.3	$21.0	$18.8
Interest cost	67.6	65.7	63.7
Actual return on plan assets	(48.8)	(86.4)	(49.7)
Net amortization and deferral	(23.9)	10.8	24.7)
	$19.2	$11.1	$ 8.1

The funded status of the plans as of December 31 was as follows:

(In millions)	1994 Assets exceed accumulated benefits	1994 Accumulated benefits exceed assets	1993 Assets exceed accumulated benefits	1993 Accumulated benefits exceed assets
Accumulated benefit obligation				
Vested	$194.9	$87.3	$704.2	$100.8
Nonvested	8.0	1.9	29.2	2.6
	$202.9	$89.2	$733.4	$103.4
Projected benefit obligation	$246.7	$97.6	$843.6	$113.6
Fair value of plan assets, principally equity securities and corporate bonds	270.0	61.4	833.1	66.5
Excess (deficiency) of assets over projected benefit obligation	23.3	(36.2)	(10.5)	(47.1)
Unrecognized net transition (gain) loss	(10.8)	1.6	(2.8)	2.0
Unrecognized net loss from experience differences	10.4	11.7	66.3	24.1
Unrecognized prior service cost	(1.1)	21.5	8.2	25.5
Adjustment needed to recognize minimum liability	—	(24.3)	—	(26.2)
Prepaid pension cost (pension liability)	$21.8	$(25.7)	$61.2	$(21.7)
Actuarial assumption:				
Discount rate	8.75%	8.75%	7.25%	7.25%
Weighted average rate of compensation increase	5.2%	5.1%	5.0%	5.1%
Expected long-term rate of return on plan assets	9.5%	9.5%	9.5%	9.5%

Non-U.S. Pension Plans

The components of net pension costs are as follows:

(In millions)	1994	1993	1992
Service cost	$38.8	$27.1	$29.1
Interest cost	68.7	62.3	66.5
Actual return on plan assets	(61.0)	(222.0)	(32.1)
Net amortization and deferral	(32.7)	144.4	(61.2)
	$13.8	$11.8	$ 2.3

The funded status (assets exceed accumulated benefits) of the plans as of December 31 was as follows:

(In millions)	1994	1993
Accumulated benefit obligation		
Vested	$ 670.6	$720.1
Nonvested	3.7	3.8
	$ 674.3	$723.9
Projected benefit obligation	$ 773.4	$857.8
Fair value of plan assets, principally equity securities and corporate bonds	1,017.6	1,021.8
Excess of assets over projected benefit obligation[a]	244.2	164.0
Unrecognized net transition gain	(29.3)	(35.1)
Unrecognized net (gain) loss from experience differences	(66.2)	3.3
Unrecognized prior service cost	45.0	49.9
Prepaid pension cost	$ 193.7	$182.1
Actuarial assumptions:		
Weighted average discount rate	9.0%	8.0%
Weighted average rate of compensation increase	7.0%	7.0%
Expected long-term rate of return on plan assets	9.5%	9.5%

(a) The excess of assets over the projected benefit obligation, calculated under the valuation method mandated by FAS Statement No. 87, "Employers' Accounting for Pensions," arises principally in the U.K. Under current U.K. legislation, no part of this excess could be repaid to the Company from the U.K. plans.

The components of pension (expense) income for the years ended December 31 follow (in millions):

	1994	1993	1992
Service cost—benefits earned during year	$(55)	$(42)	$(39)
Interest cost on projected benefit obligation	(94)	(97)	(96)
Actual return on assets	36	155	203
Net amortization and deferral	99	(17)	(73)
	$(14)	$ (1)	$ (5)

As a result of the DCBU acquisition, pension expense increased by $7 million in 1994.

The pension asset (liability), by funded status, recognized in the balance sheet at December 31 follows (in millions):

	1994		1993	
	Over-funded	Under-funded	Over-funded	Under-funded
Accumulated pension benefit obligation				
Vested	$950	$147	$979	$136
Nonvested	62	8	53	10
	1,012	155	1,032	146
Value of future salary projections	135	10	143	10
Total projected pension benefit obligation	1,147	165	1,175	156
Fair value of plan assets	1,370	70	1,371	68
Plan assets in excess of or (less than) projected benefit obligation	223	(95)	196	(88)
Unamortized				
Initial net (asset) obligation	(40)	7	(48)	7
Net (gain) loss	(125)	(3)	(116)	3
Prior service cost	10	15	27	12
Adjustment to recognize minimum liability		(12)		(12)
	$68	$(88)	$59	$(78)

Measurement of the projected benefit obligation was based on a discount rate of 8.50%, 7.25%, and 8.25% in 1994, 1993, 1992, respectively. The expected compensation growth rate was 5.95%, 4.95% and 5.95% in 1994, 1993 and 1992, respectively. The expected long-term rate of return on assets was 10% in all three years. Plan assets are invested in equity and fixed income securities and other instruments. Underfunded plans are associated principally with operations outside the United States. The change in the discount rate to 8.50% at the end of 1994 had the effect of decreasing the accumulated pension benefit obligation by $140 million with an offsetting increase in the unamortized net gain. This change will have an immaterial effect on future expense.

EATON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans

The Company has non-contributory defined benefit pension plans covering the majority of employees. Plans covering salaried and certain hourly employees provide benefits that are generally based on years of service and final average compensation. Benefits for other hourly employees are generally based on years of service. Company policy is to fund at least the minimum amount required by applicable regulations. In the event of a change in control of the Company, excess pension plan assets of North American operations may be dedicated to funding of health and welfare benefits for employees and retirees.

GENERAL SIGNAL CORPORATION (DEC)

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

Employee Benefit Plans (In Part)

Pension Plans: The company's pension plans cover substantially all salaried and hourly paid employees, including certain employees in foreign countries. The plans generally provide benefit payments using a formula based on an employee's compensation and length of service or, in some cases, stated amounts for each year of service. The company funds United States pension plans in amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts that may be approved from time to time. Substantially all plan assets are invested in cash and short-term investments or listed stocks and bonds and real estate. Plan assets and obligations of non-U.S. subsidiaries were not material.

The periodic net pension income related to continuing operations is comprised of the following:

Year Ended December 31,	1994	1993	1992
Service cost—benefits earned during the period	$12.2	$11.9	$11.9
Interest cost on projected benefit obligation	31.4	32.2	30.3
Actual return on assets	12.5	(58.3)	(18.8)
Net amortization and deferral	(67.9)	3.5	(39.5)
Amounts allocated to discontinued operations	2.1	2.1	2.1
Net pension income	$(9.7)	$(8.6)	$(14.0)

The following table shows the plans' funded status and amounts recognized in the balance sheet:

December 31,	1994	1993
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(359.9)	$(407.0)
Accumulated benefit obligation	$(378.4)	$(430.8)
Fair value of plan assets	$503.1	$554.1
Projected benefit obligation	(397.4)	(448.2)
Plan assets in excess of projected benefit obligation	105.7	105.9
Unrecognized net loss	10.0	4.0
Prior service cost not yet recognized in net pension cost	9.0	11.1
Unrecognized net asset	(41.0)	(49.2)
Prepaid pension	$83.7	$71.8
The actuarial assumptions used were:		
Discount rate	8.75%	7.40%
Rate of increase in compensation levels	5.00%	5.00%
Expected long-term rate of return on assets	9.50%	9.50%

Under the Savings and Stock Ownership Plan and other supplemental plans, the company matches employee contributions in cash and common stock equal to a percentage of certain amounts contributed by employees. The company contributions under these plans amounted to $7.9 in 1994, $8.3 in 1993, and $8.7 in 1992 and were invested in shares of the company's common stock. At December 31, 1994, 1,452,000 shares were reserved for issuance under these plans.

LUKENS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands

5 (In Part): Retiree Benefits

Pensions. Lukens has several defined benefit plans that provide pension and survivor benefits for most employees. Benefits are primarily based on the combination of years of service and compensation. Plans are funded in accordance with applicable regulations.

The components of pension expense are listed below.

	1994	1993	1992
Service cost for benefits earned	$ 8,259	7,460	6,184
Interest cost on projected benefit obligation	26,560	26,672	23,322
Actual return on assets	(5,207)	(33,384)	(22,742)
Amortization and deferrals			
Deferred return on assets	(22,105)	5,679	(3,055)
Prior service cost	2,894	2,880	2,069
Other, net	250	(138)	(609)
Net pension expense[a]	$ 10,651	9,169	5,169

a. The increase in 1993 pension expense resulted primarily from plan improvements for Lukens Steel Group salary employees. The increase was also attributable to a full year of Washington Stainless Group expense compared to 1992, which was from the acquisition on April 24.

The following table reconciles the net funded status of our plans to amounts recognized in the Consolidated Balance Sheets.

	1994	1993
Actuarial present value of		
Vested benefit obligation[a]	$(273,275)	(304,388)
Nonvested benefit obligation[a]	(30,023)	(33,089)
Accumulated benefit obligation[a]	(303,298)	(337,477)
Effect of projected future compensation[a]	(25,998)	(36,927)
Projected benefit obligation[a]	(329,296)	(374,404)
Plan assets at fair value[b]	284,066	303,538
Plan assets less than projected benefit obligation	(45,230)	(70,866)
Unrecognized net loss (gain)	(11,240)	21,496
Unrecognized prior service cost	31,564	33,651
Unrecognized net obligation at transition	235	436
Adjustment to recognize minimum liability	(2,695)	(4,641)
Net pension liability recognized in the consolidated balance sheets	$(27,366)	(19,924)

a. The decrease in the 1994 benefit obligations primarily reflected a higher discount rate.

b. Plan assets primarily consist of stocks, bonds and short-term investments. Included in plan assets is Lukens' common stock totaling $734 in 1994 and $10,585 in 1993.

The net pension liability was recognized in the following accounts in the Consolidated Balance Sheets.

	1994	1993
Accrued employment costs	$ (5,016)	(2,720)
Other liabilities	(23,336)	(19,055)
Intangible assets	986	1,851
Net pension liability	$(27,366)	(19,924)

Significant assumptions used in the calculation of pension expense and obligations are listed below.

		1994	1993	1992
Discount rate	%	8.7	7.2	8.3
Rate of compensation increase	%	3–7	3–7	3–7
Long-term rate of return on plan assets	%	9.5	9.5	9.5

ROCKWELL INTERNATIONAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Retirement Pension Plans

The company has pension plans which cover most of its employees and provide for monthly pension payments to eligible employees upon retirement. Pension benefits for salaried employees generally are based on years of credited service and average earnings. Pension benefits for hourly employees generally are based on specified benefit amounts and years of service. The company's policy is to fund its pension plans generally in amounts computed actuarially using the entry-age normal method.

Net pension income consisted of the following (in millions):

	1994	1993	1992
Service cost—benefits earned during the year	$(128.1)	$(112.5)	$(117.5)
Interest accrued on projected benefit obligation	(557.4)	(552.7)	(534.6)
Assumed return on plan assets	669.1	637.9	621.2
Initial net asset amortization	137.0	137.2	137.9
Prior service cost amortization	(25.0)	(35.1)	(36.3)
Net actuarial loss amortization	(69.8)	(18.8)	(15.9)
Net pension income	$25.8	$56.0	$54.8

Upon adoption of the current pension accounting standard in 1987 the fair value of pension plan assets exceeded projected pension benefit liabilities by $1.7 billion. This initial net asset is being amortized as pension income over 13 years through 1999.

Pension plan assets are primarily United States Government obligations, other fixed income investments and equity securities whose values are subject to fluctuations of the securities market. The actual return on plan assets was $128 million, $935 million and $909 million in 1994, 1993 and 1992, respectively. Differences between these actual returns and the related assumed returns on plan assets are deferred and considered in the determination of net pension income or expense in future periods.

In 1994, the company merged its 33 qualified defined benefit pension plans in the United States into one pension plan. While the merger did not change the pension benefits of our employees or retirees, it does strengthen the overall funding status of our plans and reduces administrative costs. The following table reconciles the funded status of the company's overfunded pension plans to amounts included in the accompanying balance sheet with 1993 amounts reclassified to reflect the pension plan merger (in millions).

	1994	1993
Accumulated benefit obligation, principally vested	$6,720.6	$6,843.1
Effects of projected compensation increases	460.3	530.6
Projected benefit obligation	7,180.9	7,373.7
Fair value of plan assets	7,795.0	8,146.9
Plan assets in excess of projected benefit obligation	614.1	773.2
Items not yet recognized in the balance sheet:		
Net actuarial losses (gains):		
Asset return	473.6	(58.5)
Discount rate	384.7	822.7
Demographics	304.0	233.8
Prior service cost	95.9	102.8
Remaining initial net asset	(657.7)	(794.1)
Prepaid pension costs at September 30	$1,214.6	$1,079.9
Assumptions used (June 30 measurement date):		
Discount rate	8.25%	7.75%
Compensation increase rate	4.5%	4.5%
Long-term rate of return on plan assets	9.0%	9.0%

Although the company has no intention of doing so, should it terminate its qualified defined benefit pension plan, the United States Government is entitled to an equitable share of any assets remaining after providing for plan obligations.

The company also sponsors certain defined contribution savings plans for eligible employees. Expense related to these plans was $88 million, $89 million and $92 million for 1994, 1993 and 1992, respectively.

WESTVACO CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

N (In Part): Employee Retirement, Postretirement and Postemployment Benefits

Pension and retirement plans

The company provides retirement benefits for substantially all domestic employees under several noncontributory trusteed plans and also provides benefits to employees whose retirement benefits exceed maximum amounts permitted by current tax law under an unfunded benefit plan. 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.

The 1994 net pension credit relating to employee pension and retirement benefits was $42,089,000 (1993–$40,984,000, 1992–$37,959,000). The net pension credits reflect cumulative favorable investment returns on plan assets. The components of the net pension credit for 1994, 1993 and 1992 are as follows:

In thousands	1994	1993	1992
Service cost—benefits earned during the period	$ 22,693	$ 23,541	$ 22,874
Interest cost on projected benefit obligation	53,459	53,160	48,458
Actual return on plan assets	[69,598]	[16,912]	[110,102]
Net amortization and deferrals	[48,643]	[100,773]	811
Net pension credit	$[42,089]	$ [40,984]	$[37,959]

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	1994	1993
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $[631,926] (1993–$[580,829])	$[657,891]	$[607,589]
Projected benefit obligation	$[772,864]	$[725,223]
Plan assets at fair value:		
Mainly listed stocks, including $85 million of company stock, and money market and fixed income investments	1,047,969	1,008,921
Plan assets in excess of projected benefit obligation	275,105	283,698
Unrecognized net gain from past experience different from that assumed	[20,562]	[58,112]
Unrecognized prior service cost	41,497	41,772
Unrecognized net transition asset	[50,330]	[57,215]
Net prepaid pension cost included in consolidated balance sheet	$245,710	$210,143

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.75% and 5.5% in 1994 (7.5% and 5.5% in 1993 and 7.5% and 6% in 1992). The expected long-term rate of return on plan assets used in determining net pension cost was 10.5% for 1994, 11.5% for 1993 and 1992 and will be 9.75% for 1995. The net prepaid pension cost, from the table above, is included in other assets except for an obligation of $13.6 million for an unfunded excess benefit plan which is recorded as a long-term liability.

In connection with the restructuring plan announced in fiscal year 1993, the company offered retirement incentives to all salaried employees with at least five years of service who were 60 years or older on December 31, 1993, excluding certain executive officers. Approximately 350 employees were eligible for the program. The major features of the program were the addition of five years of credited service for the calculation of benefits, no reduction in benefits for retirement before age 62, supplemental payments until age 65 based on years of service, and the extension of medical and dental insurance benefits until age 65 at the active employee rate. The voluntary retirement incentive program, which is now complete, was accepted by 264 employees. As employees elected to participate, severance accruals included in the special charge were adjusted to reflect the special termination benefits under the incentive program. The program liability, measured under the provisions of SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,* and SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions,* was $17.5 million, representing $11.8 million in pension benefits and $5.7 million in postretirement medical benefits.

Defined Contribution Plans

BARNES GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (All dollar amounts included in the notes are stated in thousands)

11 (In Part): Pension Plans

The company has defined contribution plans covering employees of Barnes Aerospace and field sales employees of Bowman Distribution's U.S. operation. Company contributions under these plans are based primarily on the performance of the business unit and employee compensation. Total expense amounted to $1,431, $1,566 and $1,288 in 1994, 1993 and 1992, respectively.

L.B. FOSTER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (In Part): Retirement Plans

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans or by one of the union-sponsored plans. Hourly non-union employees are also covered by a defined contribution plan with contributions fixed at $0.12 per hour worked. Substantially all of the Company's salaried employees are covered by a defined contribution plan established by the Company.

Benefits for hourly employees over age 21 are generally based on hours of service. The salaried plan for employees over age 21 is based on years of qualifying service.

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The Company's defined contribution plan, available to substantially all salaried employees, contains a matched savings provision that permits both pretax and after-tax employee contributions. Participants can contribute from 2% to 15% of their annual compensation and receive a 50% matching employer contribution on up to 6% of their annual compensation.

Further, the plan requires an additional matching employer contribution, based on the ratio of the Company's pretax income to equity, up to 50% of 6% of the employee's annual compensation. Additionally, the Company contributes 1% of all salaried employee's annual compensation to the plan without regard for employee contribution. The Company may also make additional discretionary contributions to the plan. The defined contribution plan expense was $710,000 in 1994, $431,000 in 1993, and $396,000 in 1992.

LAFARGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans (In Part)

The Company has several defined benefit and defined contribution retirement plans covering substantially all employees. Benefits paid under the defined benefit plans are generally based either on years of service and the employee's compensation over the last few years of employment or years of service multiplied by a contractual amount. The Company's funding policy is to contribute amounts that are deductible for income tax purposes.

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Net retirement cost for the years indicated includes the following components (in millions):

	Years Ended December 31		
	1994	1993	1992
Service cost of benefits earned during the period	$11.2	$10.5	$10.4
Interest cost on projected benefit obligation	26.1	26.2	26.6
Actual gain on plan assets	(7.5)	(31.7)	(24.6)
Net amortization and deferral	(26.8)	(3.5)	(11.9)
Total defined benefit plans cost	3.0	1.5	0.5
Defined contribution plans cost	4.2	4.4	4.7
Net retirement cost	$7.2	$5.9	$5.2

Certain employees are also covered under multi-employer pension plans administered by unions. Amounts included in the preceding table as defined benefit plans retirement cost and contributions to such plans were $3.4 million, $3.5 million and $3.5 million for 1994, 1993 and 1992, respectively. The data available from administrators of the multi-employer plans are not sufficient to determine the accumulated benefit obligation, nor the net assets attributable to the multi-employer plans in which Company employees participate.

The defined contribution plans costs in the preceding table relate to thrift savings plans for all eligible U.S. and Canadian employees. Under the provisions of the plans, the Company will match a portion of each participant's contribution and, through June 30, 1994 for all eligible U.S. employees, contributed an amount proportionate to each participant's salary.

TEXAS INDUSTRIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

Substantially all employees of the Company are covered by a series of defined contribution retirement plans. The amount of pension expense charged to costs and expenses for the above plans was $1.5 million in 1994, $1.8 million in 1993, and $1.7 million in 1992. It is the Company's policy to fund the plans to the extent of charges to income.

VISHAY INTERTECHNOLOGY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Employee Retirement Plans

The Company's U.S. subsidiary, Measurements Group, Inc., maintains a defined contribution pension plan covering substantially all full-time employees. Contributions are made based on participant's compensation. Costs for this plan were $547,000, $530,000, and $512,000 for the years ended December 31, 1994, 1993, and 1992, respectively. In addition, many of the Company's U.S. employees are eligible to participate in 401(k) Savings Plans, some of which provide for Company matching under various formulas. The Company's matching expense for the plans was $2,282,000, $1,996,000, and $1,894,000 for the years ended December 31, 1994, 1993, and 1992, respectively.

Supplemental Retirement Plans

AMERADA HESS CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

8 (In Part): Pension Plans

The Corporation has non-qualified supplemental pension plans covering certain employees, which provide for incremental pension payments from the Corporation's funds so that total pension payments equal amounts that would have been payable from the Corporation's principal pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation relating to these unfunded plans totaled $17,979,000 at December 31, 1994 and $17,025,000 at December 31, 1993. Pension expense for the plans was $3,871,000 in 1994, $1,823,000 in 1993 and $1,771,000 in 1992.

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in millions)

10 (In Part): Employee Benefit Plans

Supplemental Executive Retirement and Life Insurance Plans—Avon has a Supplemental Executive Retirement Plan ("SERP") which is a defined benefit plan under which Avon will pay supplemental pension benefits to key executives in addition to amounts received under Avon's retirement plan. The annual cost of this plan has been included in the determination of the net retirement plan expense shown above and amounted to $3.9 (1993–$4.3; 1992–$6.4). Such benefits will be paid from Avon's assets. The unfunded accumulated benefit obligation under this plan at December 31, 1994 was $15.5 (1993–$16.9) and is primarily included in Employee Benefit Plans.

Avon also maintains a Supplemental Life Insurance Plan ("SLIP") under which additional death benefits ranging from $.35 to $2.0 are provided to certain active and retired officers. Avon has acquired corporate-owned life insurance policies to provide partial funding of the benefits. The cash surrender value of these policies at December 31, 1994 was $24.8 (1993–$21.9) and is held in the grantor trust.

Avon has established a grantor trust to provide funding for the benefits payable under the SERP and SLIP. The trust is irrevocable and assets contributed to the trust can only be used to pay such benefits with certain exceptions. During 1994, the Company contributed an additional $32.2 to fund these benefit plans. The assets held in the trust at December 31, 1994, amounted to $75.6 (1993–$42.7), consisting of a money market fund, a managed portfolio of equity securities and corporate-owned life insurance policies. These assets are included in Other Assets.

BERGEN BRUNSWIG CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Retirement and Savings Plans

The Company provides for retirement benefits through an elective retirement savings plan and supplemental retirement plans.

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The supplemental retirement plans provide benefits for certain officers and key employees. Effective January 1991, the Company approved a new Supplemental Executive Retirement Plan ("SERP") for officers and key employees. SERP is a "target" benefit plan, with the annual lifetime benefit based upon a percentage of salary during the final five years of pay at age 62, offset by several other sources of income including benefits payable under a prior supplemental retirement plan.

The components of net periodic pension cost for the supplemental retirement plans for 1994 and the defined benefit contributory and supplemental retirement plans for 1993 and 1992 are as follows:

Dollars in thousands	1994	1993	1992
Service cost	$ 131	$ 218	$ 389
Interest cost	1,643	1,544	3,334
Return on plan assets — actual	—	—	(1,786)
— deferred	—	—	(128)
Amortization of prior service cost	397	424	379
Amortization of initial unrecognized (net asset) net obligation	286	264	(39)
Total	$2,457	$2,450	$2,149

Assumptions used to develop the net periodic pension cost for the defined benefit contributory and supplemental retirement plans were:

	1994	1993	1992
Discount rate	7.25%–8.25%	7.25%	8.00%–8.50%
Rate of increase in salary levels	5.50%	5.25%	6.00%
Expected long-term rate of return on defined benefit contributory plan assets	—	—	9.00%

The funded status of the supplemental retirement plans as of September 30, 1994 and August 31, 1993 is as follows:

Dollars in thousands	1994	1993
Actuarial present value of benefit obligations:		
Vested benefits	$15,506	$17,983
Nonvested benefits	76	403
Accumulated benefit obligation	15,582	18,386
Effect of assumed increase in future compensation levels	2,427	2,856
Projected benefit obligation	18,009	21,242
Assets of plans at fair value	(2,520)	(3,170)
Excess of projected benefit obligation over assets	15,489	18,072
Unrecognized prior service cost	(3,266)	(3,657)
Unrecognized net loss	(2,962)	(3,561)
Unrecognized net obligation remaining from date of adoption	(4,106)	(4,369)
Pension liability recognized in the consolidated balance sheets	$5,155	$6,485

At September 30, 1994, the Company owns life insurance in the aggregate amount of $43 million covering substantially all participants in a supplemental retirement plan. The Company intends to keep this life insurance in force until the demise of the participants.

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

15 (In Part): Pension Plans & Other Postretirement Benefits:

The following table presents a reconciliation of the funded status of the U.S. pension plans to prepaid pension expense, which is included in "Other assets and deferred charges":

(In Thousands) Years ended December 31	1994	1993
Plan assets at fair value	$367,471	$637,427
Less actuarial present value of benefit obligations:		
Accumulated benefit obligation (including vested benefits of $271,458 and $486,284, respectively)	274,346	502,828
Projected compensation increase	13,666	63,873
Projected benefit obligation	288,012	566,701
Plan assets in excess of projected benefit obligation	79,459	70,726
Unrecognized net (gain) loss	(16,087)	30,379
Unrecognized transition asset being amortized principally over 16 years	(30,861)	(56,422)
Unrecognized prior-service costs being amortized	24,992	44,997
Prepaid pension expense	$57,503	$89,680

One of the Company's U.S. pension plans is the supplemental executive retirement plan (SERP), which is an unfunded defined benefit plan. The actuarial present value of accumulated benefit obligations related to the Company's SERP totalled $10,263,000 and $12,705,000 at December 31, 1994 and 1993, respectively. The prepaid pension expense asset in the table above is net of an accrued pension expense liability of $9,255,000 and $9,270,000 related to the SERP at December 31, 1994 and 1993, respectively. Pension expense for the SERP totalled $1,459,000, $1,550,000, and $1,111,000 for 1994, 1993, and 1992, respectively.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

R (In Part): Retirement Plans

In 1994, the company introduced a non-qualified U.S. Supplemental Executive Retirement Plan (SERP) effective January 1, 1995, which will be phased in over three years. The SERP, which is unfunded, provides eligible executives defined pension benefits, outside the IBM Retirement Plan, based on average earnings, years of service, and age at retirement. At December 31, 1994, the projected benefit obligation was $64 million of which $61 million ($73 million of unrecognized prior service cost and $12 million of unrecognized actuarial gains) is subject to amortization. The remaining $3 million has been accrued in the Consolidated Statement of Financial Position. Net periodic pension cost for this plan was $3 million in 1994. These amounts are not reflected in the net periodic pension cost and funded status of the U.S. retirement plan.

Multiemployer Plans

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans and Benefits (In Part)

The Company participates in various multi-employer union pension plans which are administered jointly by management and union representatives and which sponsor most full-time and certain part-time union employees who are not covered by the Company's other pension plans. The pension expense for these plans approximated $38, $39 and $40 million in fiscal 1993, 1992 and 1991, respectively. The Company could, under certain circumstances, be liable for unfunded vested benefits or other expenses of jointly administered union/management plans. At this time, the Company has not established any liabilities because such withdrawal from these plans is not probable or reasonably possible.

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Pension and Profit Sharing Plans

For collectively bargained, multi-employer pension plans, contributions are made in accordance with negotiated labor contracts and generally are based on the number of hours worked. With the passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the "Act"), the Company may, under certain circumstances become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. The Company has not taken any action to terminate or partially withdraw from these plans which would result in any material liability. Under the Act, liabilities would be based upon the Company's proportional share of each plan's unfunded vested benefits which have been estimated by the trustees to be approximately $4,200,000. The amount of accumulated benefits and net assets of such plans is not currently available to the Company. Total contributions charged to expense under all pension plans were $5,325,000, $5,583,000 and $5,338,000 in fiscal 1994, 1993 and 1992, respectively.

WMX TECHNOLOGIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Benefit Plans

The Company participates in various multi-employer pension plans covering certain employees not covered under the Company's pension plan, pursuant to agreements between the Company and collective bargaining units who are members of such plans. These plans are generally defined benefit plans; however, in many cases, specific benefit levels are not negotiated with, or known by the employer-contributors. Contributions of $19,913,000, $13,821,000 and $14,648,000 were made and charged to income in 1992, 1993 and 1994, respectively.

Amendment Of Plan

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Pension and Retirement Plans.

Effective September 1, 1994, the Corporation amended its retirement plan, merging the retirement plans of two subsidiaries into the new Curtiss-Wright Corporation Retirement Plan. The new plan continues to cover substantially all employees while offering improved benefits for most employees, and reducing the administrative costs associated with multiple plans. The amended plan remains a defined-benefit plan, eliminates all employee contributions and provides future service benefits calculated using the five highest consecutive years' compensation during the last ten years of service and a "cash balance" benefit.

In addition, all participants of the former contributory plans will receive an accrued benefit based upon service as of August 31, 1994, adjusted to reflect future compensation growth. Employees are eligible to participate in this plan after one year of service and are vested in the defined-benefit portion after five years of service. Vesting in the "cash balance" portion occurs at 20% per year, reaching 100% vesting at five years of service.

Prior to September 1, 1994, the Corporation and its U.S. subsidiaries had contributory defined-benefit pension and retirement plans covering substantially all employees. The contributory plans' benefits were generally based on length of service and on the highest five consecutive years' compensation during the last ten years of service while benefit payments for employees covered under non-contributory provisions of the plans were based on fixed amounts for each year of service. Employees had been eligible to participate in these plans at the time of employment and were vested after five years of service. Employees of foreign operations continue to participate in various local plans.

The Corporation's funding policy is to provide contributions within the limits of deductibility under current tax regulations, thereby accumulating funds adequate to provide for all accrued benefits. At December 31, 1994, the amended retirement plan is overfunded so that plan assets exceed accumulated benefit obligations. All domestic plans were also overfunded at December 31, 1993.

The Corporation had pension credits in 1994, 1993 and 1992 of $4,016,000, $3,029,000 and $3,738,000, respectively, for domestic plans and had foreign pension costs in 1994, 1993 and 1992 under defined contribution retirement plans of $188,000, $170,000 and $181,000, respectively. The funded status of the Corporation's domestic plans at December 31 are set forth in the following table:

(In thousands)	1994	1993
Actuarial present value of benefit obligations:		
Vested	$104,349	$120,718
Nonvested	1,485	1,662
Accumulated benefit obligation	105,834	122,380
Impact of future salary increases	1,550	2,194
Projected benefit obligation	107,384	124,574
Plan assets at fair value	169,597	187,462
Plan assets in excess of projected benefit obligation	62,213	62,888
Unrecognized net gain	(22,693)	(26,501)
Unrecognized prior service cost	(220)	40
Unrecognized net transition asset	(11,208)	(12,365)
Prepaid pension cost	$ 28,092	$ 24,062

At December 31, 1994, approximately 44% of the plans' assets are invested in debt securities, including a small portion in U.S. Government issues. Other plan assets are invested in equity securities comprising approximately 53% with the remainder of the assets in cash equivalents.

Included in earnings is net pension income for 1994, 1993 and 1992 comprised of the following:

(In thousands)	1994	1993	1992
Service costs—benefits earned during the period	$ 2,623	$ 1,445	$ 1,122
Interest cost on projected benefit obligations	7,706	7,910	7,452
Actual return on plan assets	3,301	(17,762)	(8,511)
Net amortization and deferral	(17,646)	5,378	(3,801)
Net pension income	$ (4,016)	$ (3,029)	$ (3,738)

The major assumptions used in accounting for the Corporation's defined-benefit pension and retirement plans at December 31 are as follows:

	1994	1993	1992
Discount rate	8.0%	6.5%	6.5%
Rate of increase in future compensation levels	4.5%	4.5%	4.5%
Expected long-term rate of return on plan assets	8.0%	7.0%	7.0%

Net pension income is determined using the assumptions as of the beginning of the year. The funded status is determined using the assumptions as of the end of the year.

WITCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11 (In Part): Pension Plans

The Company has various non-contributory defined benefit pension plans covering substantially all of its domestic employees and certain international employees. Benefits are primarily based upon levels of compensation and/or years of service. The Company's funding policy is based upon funding at the minimum annual amounts required by applicable federal laws and regulations plus such additional amounts as the Company may determine to be appropriate from time to time. Plan assets consist of publicly traded securities and investments in commingled funds administered by independent investment advisors.

Certain union employees of the Company participate in multi-employer plans and the Company makes contributions primarily based upon hours worked. These plans provide defined benefits to these employees.

In November 1992, the Company acquired certain domestic and international operations of Schering AG. The related international plans accounted for approximately $6,100,000 and $4,800,000 of the 1994 and 1993 net periodic pension cost, respectively. In the years prior to 1993, net periodic pension cost of the international plans was not significant.

Employees of international subsidiaries are covered by various pension benefit arrangements, some of which are considered to be defined benefit plans for financial reporting purposes. Assets of the plans are comprised of insurance contracts and equity securities. Benefits under these plans are primarily based upon levels of compensation. Funding policies are based on legal requirements, tax considerations, and local practices.

Net pension cost (credit) includes the following components:

(thousands of dollars)	1994		1993	
	Domestic	International	Domestic	International
Service cost for benefits earned during the period	$ 8,284	$ 3,722	$ 6,630	$ 2,985
Interest cost on the projected benefit obligation	22,652	5,516	20,707	4,763
Actual (return) loss on plan assets	7,287	(2,576)	(34,119)	(2,861)
Net amortization and deferral	(32,743)	(314)	3,177	(61)
Total Pension Cost (Credit)	5,480	6,348	(3,605)	4,826
Multi-employer plans	421	—	441	—
Other international plans	—	129	—	90
Net Pension Cost (Credit)	$ 5,901	$ 6,477	$ (3,164)	$ 4,916

The weighted average assumptions used to calculate costs were as follows:

	1994		1993		1992
	Domestic	International	Domestic	International	
Discount rate	7.0%	6.9%	7.9%	7.8%	8.2%
Rate of increase in compensation level	4.5%	4.3%	5.0%	4.7%	5.0%
Expected long-term rate of return on assets	10.0%	8.0%	12.0%	8.9%	12.0%

The funded status and amounts recognized in the Company's Consolidated Balance Sheets at December 31, 1994 and 1993 for the domestic plans were as follows:

(thousands of dollars)	1994		1993	
	Plans in which:		Plans in which:	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of:				
Vested benefits	$(218,596)	$(41,773)	$(241,453)	$(52,555)
Nonvested benefits	(7,346)	(4,470)	(13,996)	(2,947)
Accumulated Benefit Obligation	(225,942)	(46,243)	(255,449)	(55,502)
Effect of anticipated future compensation levels	(14,472)	(2,364)	(16,845)	(2,456)
Projected Benefit Obligation	(240,414)	(48,607)	(272,294)	(57,958)
Plan assets at fair value	255,467	24,687	272,360	30,730
Plan Assets in Excess of (Less than) Projected Benefit Obligation	15,053	(23,920)	66	(27,228)
Unrecognized prior service cost	34,062	6,398	39,294	4,631
Unrecognized net transition (asset) obligation	(14,638)	1,246	(17,426)	1,339
Unrecognized net loss	31,506	4,721	46,866	12,468
Adjustment required to recognize minimum liability	—	(3,763)	—	(10,074)
Noncurrent Pension Asset (Liability)	$ 65,983	$(15,318)	$ 68,800	$(18,864)

The assumptions used to calculate December 31, 1994 and 1993 obligations for domestic plans were as follows:

	1994	1993
Discount rate	8.5%	7.0%
Rate of increase in compensation level	4.5%	4.5%

Effective January 1, 1995, the Company revised the domestic discount rate from 7% to 8.5%. This change resulted in a decrease of approximately $48,000,000 and $56,000,000 in the 1994 accumulated benefit obligation and projected benefit obligation, respectively.

Effective January 1, 1994, the pension benefit formula of the Retirement Plan of the Company was amended to a "final average pay offset" formula and several plan provisions were revised. Also effective January 1, 1994, the Company modified the benefit formula of the Supplemental Executive Retirement Plan. These amendments, together with the 1994 actuarial assumption changes, increased the 1994 domestic net periodic pension cost by approximately $9,200,000.

The funded status and amounts recognized in the Company's Consolidated Balance Sheets at December 31, 1994 and 1993 for the international plans were as follows:

(*thousands of dollars*)	1994		1993	
	Plans in which:		Plans in which:	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of:				
Vested benefits	$(24,243)	$(28,034)	$(19,829)	$(28,895)
Nonvested benefits	(1,405)	(2,816)	(1,094)	(2,845)
Accumulated Benefit Obligation	(25,648)	(30,850)	(20,923)	(31,740)
Effect of anticipated future compensation levels	(8,142)	(16,231)	(5,678)	(16,751)
Projected Benefit Obligation	(33,790)	(47,081)	(26,601)	(48,491)
Plan assets at fair value	37,268	—	31,349	741
Plan Assets in Excess of (Less than) Projected Benefit Obligation	3,478	(47,081)	4,748	(47,750)
Unrecognized prior service cost	1,718	—	437	—
Unrecognized net transition (asset)	(5,978)	—	(6,040)	(8)
Unrecognized net loss (gain)	2,637	(4,222)	2,658	6,489
Noncurrent Pension Asset (Liability)	$ 1,855	$(51,303)	$ 1,803	$(41,269)

The weighted average assumptions used to calculate December 31, 1994 and 1993 obligations for international plans were as follows:

	1994	1993
Discount rate	7.6%	6.9%
Rate of increase in compensation level	4.4%	4.3%

Curtailment Gains/Losses

DRAVO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Retirement Plans

The company has several defined benefit plans covering substantially all employees. Benefits for the salaried plan are based on salary and years of service, while hourly plans are based on negotiated benefits and years of service. The company's funding policy is to make contributions as are necessary to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Plan assets are composed primarily of government securities and corporate debt and equities.

The status of combined employee pension benefit plans as of December 31, 1994 and 1993 is shown below:

	1994		1993	
(In thousands)	Plans which have funded assets in excess of accumulated benefit obligations	Plans which have accumulated benefit obligations in excess of funded assets	Plans which have funded assets in excess of accumulated benefit obligations	Plans which have accumulated benefit obligations in excess of funded assets
Actuarial present value of projected benefit obligation:				
Vested employees	$147,801	$21,567	$161,662	$22,109
Non-vested employees	284	1,710	397	2,859
Accumulated benefit obligation	148,085	23,277	162,059	24,968
Effect of projected future salary increases	2,130	398	4,241	1,051
Total projected benefit obligation	150,215	23,675	166,300	26,019
Plan assets	148,303	18,357	168,699	20,360
Assets in excess of (less than) projected benefit obligation	(1,912)	(5,318)	2,399	(5,659)
Unamortized net (asset) liability existing at transition date	(687)	367	(1,375)	897
Unrecognized net loss from actuarial experience	20,888	2,755	8,836	4,186
Adjustments to recognize minimum liability	—	(2,922)	—	(4,225)
Prepaid (accrued) pension expense	$ 18,289	$(5,118)	$ 9,860	$(4,801)

The sale of Dravo Basic Materials' assets resulted in the termination of employment for essentially all Dravo Basic Materials employees and certain executive and administrative employees of a subsidiary company. As a result, the company recognized a charge in 1994 for pension curtailment and special termination benefits expense. The components of 1994, 1993 and 1992 net periodic pension (income) expense are as follows:

Years ended December 31, (*In thousands*)	1994	1993	1992
Service cost of benefits earned during the year	$ 1,023	$ 901	$ 900
Interest cost on projected benefit obligation	13,981	14,431	14,101
Actual (return) loss on plan assets	14,570	(30,951)	(12,540)
Net amortization (deferral)	(29,521)	15,566	(3,028)
Curtailment and special termination benefits expense	921	—	—
Net pension (income) expense for year	$ 974	$ (53)	$ (567)

The following assumptions were used for the valuation of the pension obligations as of December 31:

	1994	1993	1992
Discount rate	8.55%	7.5%	8.5%
Expected long-term rate of return on assets	8.0%	8.0%	9.0%
Rate of increase in compensation levels	5.0%	5.0%	6.0%

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pension Plans

The Company accounts for pensions in accordance with Statement of Financial Accounting Standards No. 87—"Employers' Accounting for Pensions." Pension accounting information is disclosed in Note 8 to the consolidated financial statements.

Note 8. Pension Plans

The Company has noncontributory defined benefit pension plans covering substantially all of its employees who have completed certain service requirements. The benefits are based on years of service and the employee's career earnings. The Company also has a supplemental defined benefit pension plan covering certain Company officers which provides benefits to participants commencing at retirement calculated according to the formula contained in the Company's tax-qualified retirement plan, but without regard to statutory limitations on the maximum amount of compensation which may be taken into account by, nor the maximum benefits which may be paid from such plans. Benefits provided by this supplemental plan are reduced by benefits provided by the defined benefit pension plans covering substantially all of the Company's employees. Pension expense was $5,974,000, $3,957,000 and $2,989,000 in fiscal years 1994, 1993 and 1992, respectively. Pension plans are funded at amounts deductible for income tax purposes but not less than the minimum funding required by the Employee Retirement Income Security Act of 1974 (ERISA). As of July 2, 1994 and July 3, 1993, the assets of the plans include certificates of deposit, marketable equity securities, mutual funds, corporate and government debt securities and annuity contracts. The marketable equity securities include 225,000 shares of common stock of the Company with a fair value of approximately $4,078,000 and $3,853,000 at July 2, 1994 and July 3, 1993, respectively.

During the fourth quarter of fiscal 1994, the Company recognized an after-tax curtailment gain of $831,000 or $.02 per share in accordance with Statement of Financial Accounting Standards No. 88—"Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." This gain arose from the sale of a portion of the Company's territories to independent distributors, and consequent termination of participation in the Flowers Industries, Inc. Retirement Plans of certain employees.

Net periodic pension costs of these plans for fiscal 1994, 1993 and 1992 included the following components:

(*Amounts in thousands*)	July 2, 1994	July 3, 1993	June 27, 1992
Service cost-benefit earned during the period	$ 6,104	$ 4,902	$ 4,277
Interest cost on projected benefit obligation	7,849	6,584	5,750
Reduction of pension costs due to actual return on plan assets	(5,914)	(6,761)	(7,826)
Net amortization and deferral	(2,065)	(768)	788
	$ 5,974	$ 3,957	$ 2,989

Assumptions used to to determine net periodic pension cost for these plans for fiscal 1994, 1993 and 1992 are as follows (measurement dates are July 2, 1994, July 3, 1993 and June 27, 1992, respectively):

	July 2, 1994	July 3, 1993	June 27, 1992
Discount rate	8.0%	8.0%	9.0%
Rate of increase in compensation levels	5.5%	5.5%	6.5%
Expected long-term rate of return on assets	9.0%	9.0%	9.0%

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheet at July 2, 1994 and July 3, 1993:

(Amounts in thousands)	July 2, 1994	July 3, 1993
Actuarial present value of benefit obligations:		
Accumulated benefit obligations:		
Vested	$(75,145)	$(68,219)
Nonvested	(2,816)	(2,933)
	$(77,961)	$(71,152)
Plan assets at fair value	$ 90,243	$ 82,115
Projected benefit obligations	(98,145)	(93,063)
Plan assets (less than) projected benefit obligations	(7,902)	(10,948)
Items not yet recognized in earnings:		
Unrecognized net asset at transition	(6,889)	(7,730)
Unrecognized prior service cost	697	750
Unrecognized net loss	8,009	11,272
Contribution payable	$ (6,085)	$ (6,656)

THE READER'S DIGEST ASSOCIATION, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

8. Pension Plans

The company and certain of its United States and international subsidiaries have pension plans covering substantially all permanent employees. The plans' benefits are based primarily on years of credited service and on participants' compensation. The plans' assets consist principally of fixed income and equity securities.

The company's policy for its United States pension plans is to fund amounts equal to minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts that may be approved by the company from time to time. The company's policy for its international pension plans is to fund amounts which comply with applicable laws and regulations and are tax deductible. Assumptions used to determine pension costs and projected benefit obligations were as follows:

	U.S. Plans		
	1994	1993	1992
Discount rate	8%	8.5%	8.5%
Rate of compensation increase	5.5%	6%	6%
Long-term rate of return on plan assets	9.5%	10%	10%

	International Plans		
	1994	1993	1992
Discount rate	4-14%	4-15%	4-15%
Rate of compensation increase	2-12%	2-13%	2-13%
Long-term rate of return on plan assets	5-16%	5-16%	5-16%

The company's consolidated net periodic pension cost is composed of the following:

	1994	1993	1992
Service cost	$16,943	$15,917	$13,911
Interest cost on projected benefit obligation	36,635	35,390	32,455
Actual return on plan assets	(11,215)	(60,618)	(57,353)
Net amortization and deferral	(36,551)	14,295	11,209
Net periodic pension cost	$ 5,812	$ 4,984	$ 222

The following table sets forth the funded status of U.S. and international plans and amounts recognized in the company's consolidated balance sheets:

	1994		1993	
	Over-funded Plans	Under-funded Plans	Over-funded Plans	Under-funded Plans
Fair value of plan assets	$532,614	$ 4,189	$533,426	$ 10,594
Projected benefit obligation	455,292	33,671	406,151	34,585
Plan assets in excess of (less than) projected benefit obligation	77,322	(28,852)	127,275	(23,991)
Unrecognized net gain	(19,022)	(648)	(71,354)	(71)
Unrecognized net (asset) liability	(37,801)	350	(43,189)	2,023
Unrecognized prior service cost	5,835	8,267	7,833	7,598
Additional minimum liability	—	(3,841)	—	(4,309)
Prepaid (accrued) pension cost	$ 26,334	$(24,724)	$ 20,565	$(18,750)
Accumulated benefit obligation	$385,247	$ 25,657	$335,633	$ 23,912
Vested benefit obligation	$375,936	$ 21,349	$329,152	$ 19,300

During 1994 the company recognized curtailment gains of $3,220 resulting from the company's workforce reductions. These gains are primarily due to the reduction of the projected benefit obligation associated with severed employees' pension benefits offset by the recognition of the prior service costs related to those employees.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Employee Benefit Plans

Employee Pension Benefits: The Corporation and its domestic subsidiaries have a number of defined benefit pension plans covering substantially all U.S. employees. Plan benefits are generally based on years of service and the employee's compensation during the last several years of employment. The Corporation's funding policy is based on an actuarially determined cost method allowable under Internal Revenue Service regulations. The funds are invested either in various securities by trustees or in insurance annuity contracts. Certain foreign subsidiaries have defined benefit pension plans or severance indemnity plans covering their employees.

In addition to the defined benefit plans covering U.S. and foreign employees discussed above, the Corporation makes contributions to multiemployer plans (predominantly defined benefit plans) covering certain employees in some of its U.S. operations.

Summarized below are the components of pension expense for defined benefit plans and multiemployer plans:

In Millions of Dollars	1994	1993	1992
Defined benefit plans:			
Service expense	$ 192	$ 204	$ 195
Interest expense	586	573	551
Actual return on assets	(193)	(1,024)	(286)
Net amortization and deferral of actuarial gains (losses)	(506)	305	(433)
Pension expense	$ 79	$ 58	$ 27
Pension expense of multiemployer plans	$ 21	$ 19	$ 17

The following table summarizes the funded status of the defined benefit pension plans:

	December 31, 1994		December 31, 1993	
In Millions of Dollars	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested	$4,536	$1,619	$4,894	$1,702
Nonvested	557	107	615	128
Accumulated benefit obligation	5,093	1,726	5,509	1,830
Effect of projected future salary increases	830	87	834	106
Projected benefit obligation for services rendered to date	5,923	1,813	6,343	1,936
Plan assets available for benefits	5,786	1,443	5,937	1,532
Projected benefit obligation in excess of plan assets	(137)	(370)	(406)	(404)
Unrecognized net loss (gain)	321	127	609	195
Unrecognized prior service cost	49	126	58	128
Unrecognized net (asset) obligation at transition	(93)	(21)	(112)	(25)
Additional minimum liability recognized	—	(163)	—	(207)
Pension asset (liability) included in the Consolidated Balance Sheet	$ 140	$ (301)	$ 149	$ (313)

The pension funds are valued at September 30 of the respective years in the table above. Major assumptions used in the accounting for the defined benefit pension plans are shown in the following table as weighted averages.

	December 31,		
	1994	1993	1992
Discount rate	8.3%	7.3%	8.1%
Salary scale	4.9%	5.1%	5.2%
Expected return on assets	9.7%	9.7%	10.5%

In accordance with the provisions of FAS 87, the Corporation was required to record an additional minimum pension liability at December 31, 1994 and 1993. This amount represents 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 each period is reported as a separate reduction to shareowners' equity, net of tax benefits.

Amounts are summarized as follows:

	December 31,	
In Millions of Dollars	1994	1993
Intangible assets	$130	$142
Reduction of shareowners' equity	20	39
Tax benefits	13	26
Additional minimum liability	$163	$207

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Curtailment: During 1994 and 1993, the Corporation recognized net pension and postretirement benefit curtailment losses of $7 million and $56 million, respectively. These losses resulted from the net increase in the Corporation's benefit obligation for pension and postretirement benefits for certain employees affected by workforce reductions at several operating units and from enhanced early retirement benefits.

Changes In Actuarial Assumptions

HERCULES INCORPORATED (DEC)

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

13. Pension Benefits

Hercules and its consolidated subsidiaries maintain various defined benefit pension plans covering substantially all employees. Benefits for the majority of plans are based on average final pay and years of service, while benefits for certain represented locations are based on stated amounts and years of service. The company's funding policy, consistent with statutory requirements and tax considerations, is based on actuarial computations utilizing the Entry Age Normal method of calculation.

Net periodic pension cost includes the following components:

	1994	1993	1992
Service cost (benefits earned during the year)	$ 27,938	$ 28,347	$ 26,658
Interest cost on projected benefit obligation	99,671	94,866	92,012
Return on plan assets	3,195	(240,192)	(46,695)
Plan deferrals and amortization	(111,348)	130,651	(65,803)
Amortization of transition asset	(18,928)	(18,952)	(20,135)
Net periodic pension expense (credit)	$ 528	$ (5,280)	$ (14,963)

The company's pension plans have assets in excess of the accumulated benefit obligation. Plan assets include equity and fixed income securities and real estate. The following table presents a reconciliation of the funded status of the pension plans to prepaid pension expense.

	1994	1993
Plan assets at fair value	$ 1,268,463	$ 1,446,555
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (vested 1994—$1,020,673; 1993—$1,128,583)	1,063,070	1,179,427
Effect of increase in compensation	117,947	175,180
Projected benefit obligation	1,181,017	1,354,607
Plan assets in excess of projected benefit obligation	87,446	91,948
Unrecognized net loss	192,572	206,698
Unrecognized prior service cost	52,391	60,054
Unrecognized transition asset	(109,997)	(128,777)
Prepaid pension expense	$ 222,412	$ 229,923

Significant assumptions used in determining pension obligations and the related pension expense include a weighted-average discount rate of 8.6% at December 31, 1994, and 7.25% at December 31, 1993, and an assumed rate of increase in future compensation of 4.5% at both dates. The 1994 discount rate was changed from 7.25% to 8.6% on October 1, 1994, based upon an interim valuation performed by the company's actuaries due to the pending sale of the Aerospace business. The increase in the discount rate reflects the significant increase in interest rates in 1994. The expected long-term rate of return on plan assets was 9.0% for 1994 and 1993.

The change in assumptions noted above decreased the accumulated benefit obligation and the projected benefit obligation by approximately $142,600 and $186,300 respectively.

MARK IV INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Pension and Profit Sharing Plans

The Company has a variety of defined benefit plans covering both union and non-union employees. Under the union plans, employee benefits are computed based on a dollar amount multiplied by the number of years of service. Benefits under the non-union plans are computed in a similar manner for certain plans, and based on the employees' earnings in other plans.

The following table sets forth the funded status of the defined benefit plans and the amounts recognized in the Company's consolidated balance sheets at February 28, 1994 and 1993 (dollars in thousands):

	1994	1993
		(As Restated)
Actuarial present value of benefit obligations:		
Vested	$(233,300)	$(202,900)
Accumulated	$(236,100)	$(204,800)
Projected	$(241,900)	$(211,100)
Plan assets at fair value	314,300	300,100
Plan assets in excess of projected benefit obligation	72,400	89,000
Unrecognized net loss and differences in assumptions	36,400	6,800
Unrecognized prior service costs	3,100	2,600
Prepaid pension cost recognized in the consolidated balance sheets	$ 111,900	$ 98,400

The plans' assets consist of corporate and government bonds, guaranteed investment contracts, listed common stocks and real estate investments. Included in the plans' assets are common stock of the Company with a market value of approximately $16,500,000 and the Company's 6¼% and 8¾% subordinated debentures with a market value of $11,800,000 at February 28, 1994.

Net pension income for the defined benefit plans in fiscal 1994, 1993, and 1992 includes the following components (dollars in thousands):

	1994	1993	1992
		(As Restated)	(As Restated)
Service cost-benefits earned during the period	$ (2,900)	$ (2,700)	$ (2,500)
Interest cost on projected benefit obligation	(18,200)	(17,300)	(16,900)
Actual return on assets	32,100	36,600	36,400
Net amortization and deferral	2,500	(4,100)	(6,300)
Net pension income	$13,500	$12,500	$10,700

The following assumptions were utilized to measure net pension income for each of the fiscal years presented, as well as the projected benefit obligation as of the end of the fiscal years:

	1994	1993	1992
Discount rate	7.75%	9.00%	9.00%
Expected long-term rate of return	12.00%	12.00%	12.00%
Average increase in compensation	5.00%	5.00%	5.00%

As a result of the change in the discount rate, the projected benefit obligation as of February 28, 1994 is approximately $25,000,000 more than it would have been using the previous 9% discount rate. The change had no effect on net pension income in fiscal 1994, and is expected to reduce pension income in fiscal 1995 by approximately $500,000.

The Company also has defined contribution pension and profit sharing plans for a significant number of its salaried and hourly employees. The Company's contributions to these plans is based on various percentages of compensation, and in some instances is based upon the amount of the employees' contributions to the plans. The annual cost of these plans amounted to approximately $6,700,000, $6,600,000; and $6,000,000 in fiscal 1994, 1993 and 1992, respectively.

Amounts Attributable To Discontinued Operations

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Pension and Profit Sharing

The Company has non-contributory defined benefit plans covering most United States employees. Plans for most salaried employees provide pay-related benefits based on years of service. Plans for hourly and certain salaried employees provide benefits based on flat-dollar amounts and years of service. The Company complies with federal funding requirements. Plan assets include equity, fixed income, and money market funds, and individually managed fixed income securities.

A summary of the components of net periodic pension cost are as follows (in thousands):

	1994	1993	1992
Service cost-benefits earned during the period	$ 1,588	$ 1,420	$ 1,390
Interest cost on projected benefit obligation	5,191	5,199	5,277
Actual return on plan assets	(743)	(5,993)	(5,583)
Net amortization and deferral	(4,010)	1,168	895
Net pension cost of defined benefit plans	$ 2,026	$ 1,794	$ 1,979

The net pension cost of defined benefit plans was charged to continuing operations in the amounts of $1,121,000, $988,000, and $1,126,000 in 1994, 1993, and 1992, respectively, and to discontinued operations in the amounts of $905,000, $806,000, and $853,000 in 1994, 1993, and 1992, respectively.

The following table sets forth the funded status and amounts recognized in the Company's balance sheet for its defined plans at September 30 (in thousands):

	1994	1993
Actuarial present value of:		
Vested accumulated benefit obligation	$ 63,906	$ 62,869
Nonvested accumulated benefit obligation	$ 3,184	$ 3,094
Projected benefit obligation	$ 69,152	$ 67,895
Fair value of plan assets	54,175	57,587
Excess of projected benefit obligation over fair value of plan assets	14,977	10,308
Unrecognized net asset at transition to SFAS No. 87, net of amortization	987	1,063
Unrecognized net loss	(13,783)	(8,758)
Unrecognized prior service cost	(481)	(583)
Additional minimum liability	11,952	7,182
Accrued pension cost	$ 13,652	$ 9,212

Accrued pension cost for discontinued operations at September 30, 1994 was $4,691,000 included in net assets of discontinued operations.

The following table sets forth the assumptions used to determine the projected benefit obligation at September 30:

	1994	1993	1992
Discount rate	7.75%	7.75%	8.5%
Rate of increase in future compensation levels	4.5%	4.5%	5%
Long-term rate of return on plan assets	9%	9%	9%

The Company's minimum additional pension liability of $11,952,000 and $7,182,000 consists of intangible assets of $513,000 and $665,000 and reductions of shareholders' equity of $11,439,000 and $6,517,000 at September 30, 1994 and 1993, respectively. Included in unfunded pension costs is the additional minimum pension liability of $6,650,000 and $3,562,000 at September 30, 1994 and 1993, respectively; the remainder is in net assets of discontinued operations. Included in other assets is the intangible asset of $225,000 and $256,000 at September 30, 1994 and 1993, respectively; the remainder is in net assets of discontinued operations.

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Paragraph 74 of *Statement of Financial Accounting Standards No. 106* specifies the information that should be disclosed for postretirement health care and life insurance benefits. Required disclosures include the assumed health care cost trend rate used to calculate the expected cost of benefits and the assumed actuarial assumption rates. Many of the survey companies providing postretirement benefits disclosed a health care cost trend rate and a discount rate while only a few disclosed a rate of compensation increase or expected rate of return. Table 3-11 shows the health care cost trend rate used in 1994.

The requirements of *SFAS No. 106* currently apply to United States plans of publicly held entities. Effective for fiscal years beginning after December 15, 1994, the requirements of *SFAS No. 106* will also apply to plans outside the United States and those of nonpublic entities.

Examples of postretirement benefit disclosures follow. Additional examples of disclosure for companies adopting *SFAS No. 106* are presented on page 49.

TABLE 3-11: HEALTH CARE COST TREND RATE

%	1994	1993
9.5 or less	126	72
10	33	27
10.5	29	12
11	62	38
11.5	17	20
12	53	66
12.5	14	11
13	28	50
13.5	5	12
14	14	36
14.5	4	8
15	4	16
15.5 or greater	5	13
Companies Disclosing Rate	**394**	**381**

Immediate Recognition Of Transition Liability

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in millions)

V. Postretirement Benefits

Alcoa implemented SFAS 106 as of January 1, 1992 and the cumulative effect of this change was reported in 1992 earnings.

Alcoa maintains health care and life insurance benefit plans covering most eligible U.S. retired employees and certain other retirees. Generally, the medical plans pay a stated percentage of medical expenses reduced by deductibles and other coverages. These plans are generally unfunded, except for certain benefits funded through a trust. Life benefits are generally provided by insurance contracts. Alcoa retains the right, subject to existing agreements, to change or eliminate these benefits.

Changes made in 1993 to certain medical plans may require contributions by future retirees to help offset medical cost increases. The changes reduced Alcoa's benefit expense and prior service costs.

The components of postretirement benefit expense follow.

	1994	1993	1992
Service cost of benefits earned	$ 20.2	$ 29.9	$ 42.9
Interest cost on liability	104.4	110.2	135.9
Net amortization	(50.0)	(32.4)	—
Return on plan assets	(4.8)	(5.2)	(3.7)
Postretirement benefit costs	$ 69.8	$102.5	$175.1

The status of the postretirement benefit plan was:

December 31	1994	1993
Retirees	$1,040.3	$1,070.4
Fully eligible active plan participants	112.5	142.9
Other active participants	307.8	378.6
Accumulated postretirement benefit obligation (APBO)	1,460.6	1,591.9
Plan assets, primarily stocks and bonds at market	53.3	53.4
APBO in excess of plan assets	1,407.3	1,538.5
Unrecognized net:		
Reduction in prior service costs	420.1	469.4
Actuarial gains (losses)	103.3	(78.8)
Accrued postretirement benefit liability	$1,930.7	$1,929.1

For measuring the liability and expense, a 10% annual rate of increase in the per capita claims cost was assumed for 1995, declining gradually to 5.5% by the year 2003 and thereafter. Other assumptions used to measure the liability and expense follow.

December 31	1994	1993	1992
Settlement discount rate	8.25%	6.75%	6.75%
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

For 1994 a 1% increase in the trend rate for health care costs would have increased the APBO by 8% and service and interest costs by 9%.

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 — Postretirement Benefits Other Than Pensions

The Company sponsors several defined benefit postretirement plans that cover more than 50 percent of salaried and non-salaried employees. These plans provide health care benefits and in some instances provide life insurance benefits. Except for one closed-group plan, which is noncontributory, postretirement health care plans are contributory, with retiree contributions adjusted annually; life insurance plans are noncontributory.

Net periodic postretirement benefit costs for 1994, 1993, and 1992 included the following components:

(*in thousands of dollars*)	1994	1993	1992
Service cost — benefits earned during the year	$ 415	$ 277	$ 258
Interest cost on accumulated postretirement benefit obligation	1,322	1,180	1,148
Net amortization and deferral	68	1	
Net periodic postretirement benefit cost	$1,805	$1,458	$1,406

The table below sets forth the plans' combined funded status reconciled with the amount shown in the Company's statement of financial position at December 31:

(in thousands of dollars)	1994	1993	1992
Accumulated postretirement benefit obligation:			
Retirees and beneficiaries	$10,473	$12,967	$11,874
Fully eligible active plan participants	1,556	1,866	1,243
Other active plan participants	1,939	4,687	3,080
Accumulated postretirement benefit obligation in excess of plan assets	13,968	19,520	16,197
Unrecognized net gain or (loss) from past experience different from that assumed	3,735	(2,926)	(463)
Accrued postretirement benefit cost	$17,703	$16,594	$15,734

For measurement purposes, a 13 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1995; the rate was assumed to decrease gradually to 5.5 percent by the year 2003 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1994, by $1,653,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $196,000. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.0 percent.

H.J. HEINZ COMPANY (APR)

NOTES TO FINANCIAL STATEMENTS

11 (In Part) Postretirement Benefits Other Than Pensions and Other Postemployment Benefits:

In addition to providing pension benefits, the company and certain of its subsidiaries provide health care and life insurance benefits for retired employees and their eligible dependents. Certain of the company's U.S. and Canadian employees may become eligible for such benefits. In general, postretirement medical coverage is provided for eligible non-union and salaried employees with at least 10 years of service rendered after the age of 45 and eligible union employees who retire with an immediate pension benefit. The company currently does not fund these benefit arrangements and may modify plan provisions to terminate plans at its discretion.

Effective January 1, 1994, certain changes were made to postretirement medical benefits offered to U.S. salaried and non-union employees who retire after May 1, 1994. Those retirees will be required to share in the cost of providing these benefits at percentages increasing from 20% in 1994 to 100% in 1998. The resulting curtailment gain was immaterial.

In 1993, the company adopted Statement of Financial Accounting Standards (FAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." FAS No. 106 requires that the accrual method of accounting for postretirement benefits other than pensions be used and the accrual period be based on the period that the employees render the services necessary to earn their postretirement benefits. Effective April 30, 1992, the company elected to recognize immediately the accumulated postretirement benefit obligation for active and retired employees, resulting in an after-tax cumulative charge of $133.6 million (net of income tax benefit of $85.4 million), or $0.51 per share. In addition, the adoption of FAS No. 106 increased the company's pretax postretirement benefit expense by $16.3 million ($0.04 per share) in 1993. These charges had no effect on consolidated cash flows.

Net postretirement costs consisted of the following:

(Dollars in thousands)	1994	1993
Postretirement benefits earned during the year	$ 6,512	$ 8,462
Interest cost on accumulated postretirement benefit obligation	15,740	16,457
Net amortization and deferral	(2,986)	(885)
Net postretirement benefit costs	$19,266	$24,034

The following table sets forth the combined status of the company's postretirement benefit plans at April 27, 1994 and April 28, 1993.

(Dollars in thousands)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees and spouses	$110,892	$108,907
Employees currently eligible to retire	20,939	40,289
Employees not yet eligible to retire	49,922	65,645
Total accumulated postretirement benefit obligation	181,753	214,841
Unamortized prior service cost	34,633	15,434
Unrecognized net gain	9,658	—
Accrued postretirement benefit obligation	226,044	230,275
Current portion, included in other accrued liabilities	9,000	8,591
Non-pension postretirement benefits	$217,044	$221,684

The weighted average discount rate used in the calculation of the accumulated postretirement benefit obligation and the net postretirement benefit cost was 8.0% in 1994 and 8.1% in 1993. The assumed annual composite rate of increase in the per capita cost of company-provided health care benefits begins at 11.5% for 1995, gradually decreases to 5.8% by 2010, and remains at that level thereafter. A 1% increase in these health care cost trend rates would cause the accumulated postretirement obligation to increase by $20.0 million, and the aggregate of the service and interest components of 1994 net postretirement benefit costs to increase by $3.2 million.

Prior to 1993, the cost of retiree health care and life insurance benefits was expensed as incurred. These costs totaled $6.8 million in 1992.

THE INTERLAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollar amounts in thousands)

Note 9—Postretirement Benefits Other Than Pensions

The Company has unfunded postretirement health care benefit plans covering certain domestic employees and retirees. Effective as of the beginning of 1992, the Company adopted FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", for these domestic retiree benefit plans. Under FAS No. 106, the Company is required to accrue the estimated cost of retiree benefit payments, other than pensions, during the employee's active service period. The cost of postretirement benefits historically has been actuarially determined and accrued over the working lives of employees expected to receive benefits with prior service costs being accrued over periods not exceeding twenty-five years.

The Company elected to recognize this change in accounting on the immediate recognition basis. The difference between the estimated accumulated postretirement obligation under FAS No. 106 ($34,477) and the unfunded obligation accrued under the Company's previous accounting method ($20,439) was charged against earnings as of the beginning of fiscal 1992 ($14,038). The related balance sheet effect was an increase to long-term liabilities of $14,038.

Effective as of the beginning of fiscal 1994, the Company adopted FAS No. 106 for its foreign plans. This change in accounting principle required restatement of previously reported first quarter 1994 results by a charge of $194.

The following table sets forth the status of the plans, reconciled to the accrued postretirement benefit cost recognized in the Company's year-end balance sheet.

	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$22,751	$26,171
Fully eligible active plan participants	2,203	2,436
Other active plan participants	1,975	2,245
Total accumulated postretirement benefit obligation	26,929	30,852
Unrecognized prior service cost	2,177	2,341
Unrecognized gain (loss)	5,595	1,511
Accrued postretirement benefit cost	$34,701	$34,704

Net periodic postretirement benefit cost included the following components:

	1994	1993	1992
Service cost on benefits earned	$ 205	$ 242	$ 464
Interest cost on accumulated postretirement benefit obligation	2,062	2,389	2,808
Unrecognized prior service cost	(164)	(123)	—
Unrecognized gain (loss)	(118)	(57)	—
Net periodic postretirement benefit cost charged to results from operations	$1,985	$ 2,451	$ 3,272

For measuring the expected postretirement benefit obligation, a 14% annual rate of increase in the per capita claims cost was assumed for 1994. This rate was assumed to decrease 1% per year to 6% in 2002 and remain at that level thereafter. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.5% at December 31, 1994 and 7.5% at December 31, 1993. The rate of compensation increase used to measure the accumulated postretirement benefit obligation for the death benefit plans was 4% in both 1994 and 1993.

If the health care cost trend rate were increased 1%, the accumulated postretirement benefit obligation as of December 31, 1994 would have increased by 5%. The effect of this change on the aggregate of service and interest cost for 1994 would be an increase of 5%.

The provision for postretirement benefits other than pensions included in operating profit was $1,107, $167, and $1,958 in 1994, 1993, and 1992, respectively. In 1993, costs were down from 1992 because of benefit changes made by the Company in the second quarter which resulted in a curtailment gain of $1,141. The provision for such costs included in nonoperating income was $878, $1,143, and $1,314 in 1994, 1993, and 1992, respectively.

SEARS, ROEBUCK AND CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part) Benefit Plans

Retiree insurance benefits

The Company provides certain health care and life insurance benefits for retired employees. Generally, qualified employees may become eligible for these benefits if they retire in accordance with the Company's established retirement policy and are continuously insured under the Company's group plans or other approved plans for 10 or more years immediately prior to retirement. The Company shares the cost of the retiree medical benefits with retirees based on years of service. The Company's share is subject to a 5% limit on annual medical inflation after retirement. The Company's postretirement benefit plans are not funded. The Company has the right to modify or terminate these plans.

Postretirement benefit expense was comprised of the following:

	Year Ended December 31		
millions	1994	1993	1992
Benefits earned during the period	$ 58	$ 48	$ 52
Interest on accumulated postretirement benefit obligation	244	264	248
Postretirement benefit expense	$302	$312	$300

Included in the Company's 1992 restructuring charges were postretirement termination costs of $76 million and postretirement curtailment losses of $61 million.

The plans' funded status was as follows:

	December 31	
millions	1994	1993
Accumulated postretirement benefit obligation		
Retirees	$2,384	$2,699
Fully eligible active plan participants	258	355
Other active plan participants	438	641
Accumulated postretirement benefit obligation	3,080	2,695
Unrecognized gain (loss)	333	(393)
Accrued postretirement benefit cost in the Statement of Financial Position at Dec. 31	$3,413	$3,302

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 9.0% in 1994 and 7.5% in 1993.

The weighted average health care cost trend rate used in measuring the postretirement benefit expense was 12.5% in 1995 gradually declining to 6% in 2007 and remaining at that level thereafter. A one percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation by $75 million and would increase the annual postretirement benefit expense by $11 million.

TOKHEIM CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

14. Postretirement Benefits Other Than Pensions

The Company provides defined benefit postretirement health and life insurance benefits to most of its U.S. employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. Effective December 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the costs of future benefits be accrued during an employee's active working career. The cost of providing these benefits was previously recognized as claims were incurred. The Company continues to fund benefits on a pay-as-you-go basis, with some retirees paying a portion of the costs.

The Company recorded the discounted value of the expected future benefits earned as of December 1, 1993 as a cumulative effect of accounting change. This one-time, noncash accounting change resulted in a charge to earnings of $13,416, or $1.72 per share. Due to the Company's net operating loss carryforward position (see Note 10), the Company established a valuation allowance to offset the deferred tax asset created by this charge to operations.

The accumulated postretirement benefit obligation as of November 30, 1994 consisted of unfunded obligations related to the following:

Retirees and dependents	$ 4,903
Fully eligible active plan participants	1,274
Other active plan participants	6,935
Total accumulated postretirement benefit obligation	13,112
Unrecognized net gain	1,101
Accrued postretirement benefit cost	14,213
Less current portion	(701)
	$13,512

Net postretirement benefit cost for 1994 included the following components:

Service cost	$ 582
Interest cost on accumulated postretirement benefit obligation	916
Net postretirement benefit cost	$ 1,498

The assumptions used to develop the net postretirement benefit expense and the present value of benefit obligations are as follows:

Discount rate	8.50%
Health care cost trend rate for the next year	11.00%

The health care cost trend rate used to value the accumulated postretirement benefit obligation is assumed to decrease gradually to an ultimate rate of 6% in 2004. A 1% increase in this annual trend rate would increase the accumulated postretirement benefit obligation as of November 30, 1994 by approximately $1,500 and the combined service and interest components of the annual net postretirement health care cost by approximately $200.

Delayed Recognition Of Transition Liability

FEDERAL SCREW WORKS (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 6—Other Postretirement Benefits

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for these benefits if they reach normal retirement age while working for the Company. The benefits are provided through certain insurance companies.

Effective July 1, 1993, the Company adopted FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The effect of adopting the new rules increased the 1994 fiscal year net periodic postretirement benefit cost by $1,880,000 and reduced net earnings by 1,269,000. Postretirement benefit cost for fiscal 1993 and 1992, which were recorded on a cash basis, have not been restated.

The following table presents the plan's funded status reconciled with amounts recognized in the Company's financial statements:

	June 30	
	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$(10,010,000)	$(10,256,000)
Fully eligible active plan participants	(2,077,000)	(1,826,000)
Other active plan participants	(5,660,000)	(5,885,000)
	(17,747,000)	(17,967,000)
Unrecognized net (gain) or loss	(1,202,000)	
Unrecognized transition obligation	17,069,000	17,967,000
Accrued postretirement benefit cost	$ (1,880,000)	$ —

	1994	1993	1992
Net periodic postretirement benefit cost includes the following components:			
Service cost	$ 409,000		
Interest cost	1,438,000		
Amortization of transition obligation over 20 years	898,000		
Net periodic postretirement benefit cost	$2,745,000	$840,000	$754,000

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 10.5 percent for fiscal 1995 and 11 percent for fiscal year 1994 and is assumed to decrease gradually to six percent for 2004 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1994 and 1993, by $2,131,000 and $2,001,000, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended June 30, 1994, by $237,000.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8% at June 30, 1994 and 1993.

HON INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Postretirement Health Care

The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as of January 3, 1993, and recorded the cumulative effect of the accounting change on the deferred recognition basis. The cost of providing these benefits was previously recognized in the period in which the benefits were paid.

The following table sets forth the funded status of the plan, reconciled to the accrued postretirement benefits cost recognized in the Company's balance sheet at:

(in thousands)	Dec. 31, 1994	Jan. 1, 1994
Accumulated postretirement benefit obligation (APBO):		
Retirees	$ 6,947	$ 7,192
Fully eligible active plan participants	3,816	3,374
Other active plan participants	6,397	6,368
Unrecognized net loss	(713)	(1,659)
Unrecognized transition obligation	(12,932)	(13,650)
Accrued postretirement benefit cost	$ 3,515	$ 1,625

Net periodic postretirement benefit costs include:

Service cost	$ 687	$ 603
Interest cost	1,242	1,134
Amortization of transition obligation over 20 years	718	718
Net periodic postretirement benefit cost	$ 2,647	$ 2,455

The discount rates at December 31, 1994, and January 1, 1994, were 8.0% and 7.5%, respectively. The 1995 trend rates begin at 8.6% for the post-65 medical coverage and 12.2% for the prescription drug coverage. These rates decrease until their respective caps are reached in the year 2002 for post-65 medical coverage and 2001 for prescription drug coverage. Thereafter, the medical trend rates applicable to the Company subsidy are assumed to be zero percent. Since the pre-65 benefit is currently capped, medical trend rates are assumed to be zero percent for all years. If the medical trend rates were increased by 1.0% for each year, the APBO as of December 31, 1994, would increase by $98,000, and the sum of the service and interest cost components of the net periodic postretirement benefit cost for fiscal year 1994 would increase by $8,000. The 1992 cost for these postretirement benefits on a pay-as-you-go basis was $1,023,000.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Postretirement Health Care Benefits

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.* Although it applies to all forms of postretirement benefits except pensions, the statement focuses principally on postretirement health care benefits. This statement changes the prevalent practice of cash basis accounting for postretirement benefits by requiring the accrual, during the employee's years of service, of the expected cost of providing benefits to an employee and the employee's beneficiaries and covered dependents. On July 1, 1992, the Company adopted SFAS No. 106 on a prospective basis. The net transition obligation represents the difference between the Company's July 1, 1992, accrued postretirement benefit costs prior to the adoption of SFAS No. 106 and the Plan's unfunded liability as of that date. The net transition liability at July 1, 1992, was $1,877,207 and will be amortized over 20 years. During fiscal year 1994, the Company revised the eligibility definition for benefits. This reduced the liability as of July 1, 1993, by $916,457. This decrease in the liability is being amortized over 16 years, the average remaining service period of the active employees.

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

Year ended June 30,	1994	1993
Service cost — benefits earned during the year	$ 114,233	$ 71,792
Interest cost on projected benefit obligation	134,645	153,370
Amortization of net transition liability over 20 years	93,861	93,861
Amortization of prior service costs over 16 years	(25,561)	—
Net postretirement health care cost	$ 317,178	$ 319,023

A reconciliation of the accumulated postretirement benefit obligation to the liability recognized in the consolidated balance sheet is as follows:

June 30,	1994	1993
Accumulated postretirement benefit obligation:		
Active participants	$ 968,795	$ 1,303,953
Retirees	793,155	652,730
	1,761,950	1,956,683
Unrecognized transition obligation	(1,689,485)	(1,783,346)
	72,465	173,337
Unrecognized net loss	(811,643)	(58,159)
Unrecognized prior service cost	859,178	—
Postretirement health care liability	$ 120,000	$ 115,178

The actuarial calculation assumes a health care inflation assumption of 11% in 1993 and grades down uniformly to 6% in 2003 and remains level thereafter. The health care cost trend rate has an effect on the amounts reported. Increasing the health care inflation rate by 1% would increase the June 30, 1994, accumulated postretirement benefit obligation by $125,839, and the 1994 net postretirement health care cost by $26,947. The discount rate used in determining the accumulated postretirement benefit obligation was 8.5%. The Company's postretirement health care plans are not funded. Prior to 1993, the cost of providing postretirement benefits was expensed as incurred.

Amendment Of Plan

THE LUBRIZOL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(In Thousands of Dollars)

Note 10 — Postretirement Health Care
The company provides certain postretirement benefits other than pensions, primarily health care, for retired employees. Currently, substantially all of the company's full-time employees in the U.S. become eligible for these benefits after attaining specified years of service and age 55 at retirement. Participants contribute a portion of the cost of such benefits. The company's postretirement health care plans are not funded.

Effective January 1, 1993, the company adopted SFAS 106 which requires the company to accrue the estimated cost of retiree benefit payments during the years the employee provides services. The company previously expensed the cost of these benefits as claims were incurred. The company elected to immediately recognize the cumulative effect of this change in accounting principle. The cumulative effect at January 1, 1993 of adopting SFAS 106 was to record a liability for the accumulated postretirement benefit obligation of $79.9 million, an increase in deferred income tax assets of $28.4 million and a decrease in net income of $51.5 million ($.76 per share).

The status of the U.S. health care plans at December 31 is as follows:

	1994	1993
Acumulated postretirement benefit obligations:		
Retirees	$33,778	$32,885
Fully eligible active plan participants	16,941	20,866
Other active plan participants	18,724	38,198
Total accumulated postretirement benefit obligation	69,443	91,949
Unrecognized net (loss) gain	7,949	(2,526)
Unrecognized net reduction in prior service costs	20,036	—
Accrued postretirement health care costs	$97,428	$89,423

The net postretirement health care cost for 1994 was determined based on the provisions of the company's medical plan in effect on January 1, 1994. In late 1994, the company amended its U.S. health care plan, including several changes with delayed effective dates. These amendments changed the eligibility requirements by requiring 15 years of service prior to retirement for new employees and current employees under the age of 40 at the effective date of January 1, 1995, and changed the cost sharing provisions of the plan by indexing deductibles and copayments and introducing a cap on the company's share of future premium costs. These changes reduced the accumulated postretirement benefit obligation at December 31, 1994 by $20.0 million, which will be amortized as a reduction in annual cost on a straight-line basis over 12 years.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 10.5% in 1994 (11.25% in 1993), with subsequent annual decrements of .75% to an ultimate trend rate of 6%. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation by approximately 14% and net postretirement benefit cost by approximately 23%. The discount rate used in determining the accumulated postretirement benefit obligation was 8.75% in 1994 and 7.5% in 1993.

Net postretirement health care cost consists of the following components for the company's U.S. plans:

	1994	1993
Service cost — benefits earned during the year	$ 2,916	$ 2,620
Interest cost on accumulated postretirement benefit obligation	7,131	6,724
Net postretirement health care cost	$10,047	$ 9,344

In 1994, the company applied SFAS 106 for its international locations and recognized expense and accrued postretirement health care cost of $4.0 million for the transition obligation.

The postretirement health care cost increased $8.1 million ($.08 per share after taxes) in 1993 as a result of adopting SFAS 106. Postretirement health care expense on a pay-as-you-go basis was $1.8 million in 1992.

TYCO INTERNATIONAL LTD. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Retirement Plans

Effective July 1, 1992 the Company adopted the provisions of SFAS 106. SFAS 106 requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs. The Company generally does not provide postretirement benefits other than pensions for its employees. Certain of the Company's acquired operations provide these benefits to employees who were eligible at the date of acquisition. As of July 1, 1992 the Company recognized the full amount of its estimated accumulated postretirement benefit obligation. The effect on the date of adoption was to reduce fiscal 1993 earnings by $54.9 million ($84.5 pre-tax) or $1.20 per share. The charge has been reflected as a cumulative effect of an accounting change.

Net periodic postretirement benefits cost for the years ended June 30, 1994 and 1993 reflects the following components:

Year Ended June 30 *(In thousands)*	1994	1993
Cost attributable to service during the period	$ 137	$ 179
Interest cost on accumulated postretirement benefit obligation	4,790	6,569
Net amortization and deferral	(1,275)	—
Net periodic postretirement benefit cost	$ 3,652	$ 6,748

For measurement purposes, in fiscal 1994 a 12% composite annual rate of increase in the per capita cost of covered health care benefits was assumed, which approximates the Company's current experience. The rate was assumed to decrease gradually to 6% by the year 2008 and remain at that level thereafter. The health care cost trend rate assumption may have a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by a percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1994 by $4.5 million and the aggregate of the service and interest cost component of net periodic postretirement benefit cost for the year then ended by $0.5 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.25% at June 30, 1994 and 7.5% at June 30, 1993.

The incremental cost in fiscal 1993 of accounting for postretirement health and life insurance benefits under the new accounting method amounted to $2.3 million pre-tax. Under the previous accounting method, expense for benefits aggregated $4.3 million pre-tax in fiscal 1992.

Presented below are the components of the accrued postretirement benefit obligation, all of which are unfunded:

June 30 *(In thousands)*	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 40,495	$ 75,380
Fully eligible active plan participants	7,777	11,569
Other active plan participants	2,442	4,070
	50,714	91,019
Unrecognized prior service benefit	25,648	—
Unrecognized net gain (loss)	9,837	(4,204)
Accrued postretirement benefit cost	$ 86,199	$ 86,815

In fiscal 1994 the Company amended certain of its postretirement health care programs, principally to adjust the cost-sharing provisions. The amendment resulted in a reduction of the Company's accumulated postretirement benefit obligation of $27.8 million, which created an unrecognized prior service benefit. The unrecognized prior service benefit is being amortized over approximately 16 years.

UNIVERSAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts are in thousands)

Note 3 — Postretirement Benefits

The Company provides postretirement health and life insurance benefits for eligible U.S. employees attaining specific age and service requirements. The health plan is funded by the Company as the costs of the benefits are incurred and contains cost-sharing features such as deductibles and coinsurance. The Company funds the life insurance plan with deposits to a retired life reserve account held by an insurance company. The Company has made changes to the plans that have reduced benefits in the past and reserves the right to amend or discontinue the plans at any time.

Effective July 1, 1993, the Company adopted SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which requires that the estimated costs of these benefits be expensed over the employees' active service period rather than as paid.

In accordance with SFAS 106, the Company elected to recognize the obligation as a one-time charge of approximately $29 million (net of $18 million in taxes) or $.83 per share during the first quarter of the year.

Effective January 1, 1994, the Company amended the benefit plans for future retirees which reduced the Company's postretirement obligation by approximately $14 million (net of tax benefits). The amortization of this reduction is expected to significantly reduce the net periodic postretirement benefit expense from SFAS 106 through fiscal year 2001.

Net periodic postretirement benefit expense was as follows:

	1994
Service cost	$ 1,268
Interest cost	3,255
Return on plan assets	(141)
Net amortization and deferral	(1,527)
Net periodic postretirement benefit expense	$ 2,855

Prior to fiscal year 1994, the Company recognized expense in the year the benefits were paid. In fiscal year 1993 and 1992, approximately $1 million of expenses was recorded annually.

The following table sets forth the components of the postretirement benefit obligation:

June 30 measurement date	1994
Accumulated postretirement benefit obligation:	
Retirees	$21,080
Fully eligible active plan participants	7,812
Other active plan participants	5,555
Accumulated postretirement benefit obligation	34,447
Fair value of plan assets	3,414
Accumulated postretirement benefit obligation in excess of plan assets	31,033
Unrecognized prior service cost	22,119
Unrecognized net loss	(4,183)
Accrued postretirement benefit cost	$48,969

The accumulated postretirement benefit obligation was determined using an assumed annual increase in the health care cost trend rate of 13% for fiscal year 1995 and is assumed to decrease gradually to 6.5% by fiscal year 2005. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated benefit obligation by approximately $2 million and the aggregate of the service and interest cost components of net periodic postretirement benefit expense for the fiscal year by approximately $100 thousand. The postretirement benefit obligation was determined using an assumed discount rate of 7.25% and an estimated long-term salary increase rate of 5.50%.

Change In Discount Rate

ECOLAB INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Retirement Plans

Postretirement Health Care Benefits

The company provides postretirement health care benefits to substantially all U.S. employees. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

Employees outside the U.S. are generally covered under government sponsored programs and the cost for providing benefits under company plans was not significant.

Postretirement health care benefit expense was:

(thousands)	1994	1993	1992
Service cost—benefits attributed to service during the period	$2,672	$2,978	$3,417
Interest cost on accumulated post retirement benefit obligation	3,740	4,142	4,213
Actual return on plan assets	(66)	(169)	(220)
Net amortization and deferral	(719)	(458)	(187)
Total expense	$5,627	$6,493	$7,223

Effective July 1, 1993, the company adopted certain amendments to its U.S. plan. These amendments modified the company's subsidy provided for each year of service and limit health care costs which are eligible for subsidy by the company to a 4 percent annual increase beginning in 1996. Also, effective July 1, 1993, the company lowered the discount rate used for determining the accumulated benefit obligation and future service and interest cost for the plan to 8.0 percent from 8.25 percent at year-end 1992 and 1991. These changes reduced postretirement health care expense for 1993 by approximately $1.3 million and decreased the accumulated benefit obligation by approximately $9 million. The discount rate was lowered further at year-end 1993 to 7.5 percent. This reduction in discount rate resulted in an increase in the accumulated benefit obligation of approximately $3 million as of December 31, 1993 and an increase of $0.3 million in postretirement health care expense for 1994.

The funded status of the postretirement health care plan was:

December 31 (thousands)	1994	1993	1992
Actuarial present value of accumulated postretirement benefit obligation for:			
Retirees	$16,453	$16,999	$14,916
Fully eligible active participants	4,044	2,995	2,160
Other active participants	29,389	32,769	40,408
Total	49,886	52,763	57,484
Plan assets at fair value	6,298	4,740	6,388
Plan assets less than accumulated post-retirement benefit obligation	(43,588)	(48,023)	(51,096)
Unrecognized gain for prior service	(10,750)	(11,301)	
Unrecognized net loss (gain)	(5,544)	1,535	(513)
Unfunded accrued post-retirement health care benefits	$(59,882)	$(57,789)	$(51,609)

The discount rate used for determining the year-end accumulated postretirement benefit obligation and future service and interest cost was increased from 7.5 percent at year-end 1993 to 8.25 percent at year-end 1994. The effect of this change was to decrease the accumulated benefit obligation by approximately $6 million at December 31, 1994.

For measurement purposes, 12.5 percent (for pre-age 65 retirees) and 9.7 percent (for post-age 65 retirees) annual rates of increase in the per capita cost of covered health care were assumed for 1995. The rates were assumed to decrease gradually to 6.5 percent and 5.5 percent, respectively, at 2001 and remain at that level thereafter. Health care costs which are eligible for subsidy by the company are limited to a 4 percent annual increase beginning in 1996 for most employees. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of year-end 1994 by approximately $4 million and 1994 expense by approximately $0.5 million.

The after-tax expected long-term rate of return on plan assets was 6.0 percent in 1994, 1993 and 1992. Plan assets consist primarily of short-term investments.

Curtailment Gain

THE CLOROX COMPANY (JUN)

NOTES TO FINANCIAL STATEMENTS

13 (In Part): Employee Benefit Plans

Retirement Health-Care

The Company provides certain health-care benefits for employees who meet age, participation and length of service requirements at retirement. The plans pay stated percentages of covered expenses after annual deductibles have been met. Benefits paid take into consideration payments by Medicare. The plans are not prefunded, and the Company has the right to modify or terminate certain of these plans.

Postretirement health-care expense consists of the following (in thousands):

	1994	1993	1992
Service cost—benefits earned in the current year	$2,823	$2,898	$2,798
Interest on projected benefit obligation	2,881	2,749	2,471
Total postretirement health-care expense	$5,704	$5,647	$5,269

Benefits paid were $1,058,000, $1,060,000 and $550,000 in 1994, 1993 and 1992, respectively.

The accumulated postretirement benefit obligation (APBO) includes the following at June 30 (in thousands):

	1994	1993
Retirees	$10,260	$ 8,359
Fully eligible active employees	6,731	7,608
Other active employees	21,976	24,232
Unrecognized net gains	6,599	—
Total unfunded accrued benefit obligation included in other obligations	$45,566	$40,199

Included in 1994 amounts is $1,900,000 representing the assumption of postretirement health-care liabilities related to the acquisition of the *S.O.S.* brands. The assumed health-care cost trend rate used in measuring the APBO was 12 percent for 1995, gradually declining to 5.5 percent over the next 10 years. Changes in these rates can have a significant effect on amounts reported. A one percentage point increase in the trend rates would increase the 1994 accumulated postretirement benefit obligation by $6,742,000 and increase 1994 expense by $805,000. The discount rate used to determine the APBO was 8 percent.

Discontinued Operations

As a result of the Company's decision to discontinue operations of its bottled water and frozen foods businesses, curtailment gains of $2,104,000 for pension benefits and $1,228,000 for postretirement health-care were recognized in 1994 in income from discontinued operations.

Plan Changes Subject Of Litigation

GENCORP INC. (NOV)

NOTES TO FINANCIAL STATEMENTS

Note I (In Part): Employee Benefit Plans

Health Care Plans

In addition to providing pension benefits, the Company currently provides certain health care and life insurance benefits to most retired employees in the United States with varied coverage by employee groups. The health care plans generally provide for cost sharing in the form of employee contributions, deductibles and coinsurance between the Company and its retirees. Retirees in certain other countries are provided similar benefits by plans sponsored by their governments.

Effective December 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). This Statement requires accrual of the expected cost of providing postretirement benefits during employees' active service lives. The Company's previous practice was to record the cost of these benefits as claims were paid except for liabilities established for certain previously discontinued businesses. The Company elected to recognize immediately the transition obligation, measured as of December 1, 1993, as the cumulative effect of an accounting change. This resulted in a one-time charge of $196 million (after a reduction for income taxes of $131 million), which does not include amounts accrued in prior years for previously divested businesses.

The table below sets forth the components of the net periodic postretirement benefit cost and the accumulated postretirement benefit obligation for postretirement benefits other than pensions:

Net Periodic Postretirement Benefit Cost

(Dollars in millions)	Year ended November 30, 1994
Service cost	$ 5
Interest cost	31
TOTAL COST	$36

Accumulated Postretirement Benefit Obligation

(Dollars in millions)	At November 30, 1994
Retirees	$294
Fully eligible active plan participants	52
Other active plan participants	60
TOTAL BENEFIT OBLIGATION	$406

The accumulated postretirement benefit obligation includes the impact of the cost-sharing program announced to employees and retirees on October 4, 1993. The program established limits on the average amount the Company pays annually to provide future retiree medical coverage. The Company believes that it has the legal right to implement this cost-sharing program and has recently prevailed in a lawsuit before the U.S. District Court challenging the Company's right to modify retiree medical benefits as changed in 1991. This ruling is under appeal to the U.S. Court of Appeals for the Sixth Circuit. While the Company expects to prevail on appeal, an adverse ruling could affect the future cost of providing retiree health benefits.

The accumulated postretirement benefit obligation and related benefit cost are determined by the application of relevant actuarial assumptions. The Company utilized an 8 percent discount rate and anticipates its health care cost trend rate will decline from 12 percent in 1994 to 6 percent in 2003, after which the trend rate is expected to stabilize. The effect of a one percentage point increase in the assumed health care cost trend rate for each future year would increase the accumulated postretirement benefit obligation at November 30, 1994 by $10 million and increase the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost by $1 million.

The cost of retiree health care and life insurance benefits in 1993 and 1992 amounted to $30 million and $29 million, respectively.

UNISYS CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

12 (In Part): Employee Plans

Other postretirement benefits

The Company provides certain health care benefits for U.S. employees who retired or terminated after qualifying for such benefits. Most international employees are covered by government-sponsored programs and the cost to the Company is not significant. The Company expects to fund its share of such benefit costs principally on a pay-as-you-go basis.

The Company adopted SFAS 106 effective January 1, 1993. Prior years' financial statements have not been restated. SFAS 106 required the Company to change from the cash basis of accounting for such benefits by requiring the accrual, during the years that the employee renders services, of the estimated cost of providing such benefits.

In November 1992, the Company announced changes to its postretirement benefit plans, effective January 1, 1993, whereby the Company's current subsidy will be phased out, ending as of January 1, 1996. Several lawsuits have been brought by plan participants challenging the announced changes to the plans, and the Company is defending them vigorously. In 1994, several of these lawsuits were resolved which resulted in the Company recognizing income of $13.8 million ($8.0 million amortization of prior service benefit and $5.8 million settlement).

Amounts included in expense for 1992, under the previous cash basis of accounting, were $60.5 million. The adoption of SFAS 106 had the effect of decreasing 1993 postretirement benefit expense by $28.1 million, or $.07 per fully diluted common share.

Net periodic postretirement benefit cost for 1994 and 1993 includes the following components:

Year ended December 31 *(Millions)*	1994	1993
Service cost—		
benefits earned during the period	$ 1.0	$ 1.2
Interest cost on accumulated		
postretirement benefit obligation	22.1	26.1
Amortization of prior service benefit	(8.0)	
Net amortization and deferral	(2.5)	.5
Return on plan assets	.5	(3.3)
Net periodic postretirement benefit cost	$13.1	$24.5

The status of the plan and amounts recognized in the Company's consolidated balance sheet at December 31, 1994 and 1993 were as follows:

Year ended December 31 *(Millions)*	1994	1993
Actuarial present value of accumulated postretirement benefit obligation:		
Retirees	$240.2	$290.7
Fully eligible active plan participants	16.7	15.1
Other active plan participants	12.3	19.1
	269.2	324.9
Less plan assets at fair value	(26.5)	(30.2)
Accrued postretirement benefit liability in excess of plan assets	242.7	294.7
Unrecognized net loss	(27.9)	(9.9)
Unrecognized prior service benefit	39.2	
Accrued postretirement benefit obligation recognized in the consolidated balance sheet	$254.0	$284.8

As of December 31, 1994, $225.3 million of this liability was classified as long-term and $28.7 million was classified as a current liability.

The assumed rate of return on plan assets was 8% and 10% in 1994 and 1993, respectively, and the weighted average discount rate used to measure the accumulated postretirement benefit obligation was 8.75% at December 31, 1994 and 7.35% at December 31, 1993. The assumed health care cost trend rate used in measuring the expected cost of benefits covered by the plan was 11% for 1995, gradually declining to 6.5% in 2004 and thereafter. A one-percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation at December 31, 1994 by $13.9 million and increase the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost by $2.4 million.

Amount Of Company Contribution Frozen

CINCINNATI MILACRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Benefit Plans (In Part)

In addition to pension benefits, the company also provides varying levels of postretirement health care benefits to most U.S. employees who retire from active service after having attained age 55 and ten years of service. The plan is contributory in nature. Prior to 1993, retiree contributions were based on varying percentages of the average per-contract cost of benefits, with the company funding any excess over these amounts. However, the plan was amended in 1992 to freeze the dollar amount of the company's contributions in future years for employees retiring after 1980 based on specified percentages of the 1993 per-contract cost.

Effective January 3, 1993, the company's domestic operations adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The change did not significantly affect earnings before extraordinary items and cumulative effect of changes in methods of accounting for 1993.

The following table presents the components of the company's liability for future retiree health care benefits.

Accrued Postretirement Health Care Benefits		
(In millions)	1994	1993
Accumulated postretirement benefit obligation		
Retirees	$(35.2)	$(42.6)
Fully eligible active participants	(5.4)	(7.4)
Other active participants	(7.5)	(8.1)
	(48.1)	(58.1)
Unrecognized net loss	2.6	9.8
	$(45.5)	$(48.3)

At year-end 1994, $1.5 million of the total liability for postretirement health care benefits is included in current liabilities in the Consolidated Balance Sheet.

Retiree health care costs for 1994 were $4.8 million, consisting of service cost of $.5 million, interest of $4.0 million and amortization of $.3 million. In 1993, retiree health care costs were $4.5 million, including service cost and interest of $.3 million and $4.2 million, respectively.

Prior to 1993, the company recognized the cost of health care benefits paid to U.S. retirees as incurred. Such costs totaled $5.8 million in 1992.

The discount rates used in calculating the accumulated postretirement benefit obligation were 8½% for 1994 and 7% for 1993. For 1995, the assumed rate of increase in health care costs used to calculate the accumulated postretirement benefit obligation is 10%. This rate is assumed to decrease to varying degrees annually to 6% for years 2005 and thereafter. Because of the effect of the 1992 plan changes that froze the dollar amount of the company's contributions for future years, a one percent change in each year in relation to the above assumptions would not significantly change the accumulated postretirement benefit obligation or the total cost of the plan.

POSTEMPLOYMENT BENEFITS

Effective for fiscal years beginning after December 15, 1993, *Statement of Financial Accounting Standards No. 112* requires that companies providing postemployment benefits to their employees accrue the cost of such benefits. During 1994, 80 survey companies (87 in 1993 and 21 in 1992) adopted *SFAS No. 112.*

Examples of disclosures for postemployment benefits follow. Additional examples of disclosure for companies adopting *SFAS No. 112* are presented on pages 47 and 48.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Postretirement benefits other than pensions and postemployment benefits (In Part):

The company provides certain postemployment benefits to eligible parent company and subsidiary employees. These benefits are provided to former or inactive employees and their dependents during the period following employment but before retirement.

In 1992, the company adopted SFAS 112 and elected to immediately recognize the cumulative effect of the change in accounting for postemployment benefits of $53.3 million ($32.4 million after tax). In 1994, the company recorded a postemployment benefit credit of $12.2 million, which included a $14.6 million gain related to the qualification in 1994 of long-term disabled employees for primary medical coverage under Medicare. Postemployment benefit expense was $4.6 million in 1993 and $6.3 million in 1992.

BALL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Postretirement and Postemployment Benefits (In Part)

Other Postemployment Benefits

The company elected early adoption of SFAS No. 112 and, effective January 1, 1993, recorded a noncash, pretax charge of $10.0 million ($6.2 million after tax) to recognize the cumulative effect on prior years. Excluding the cumulative effect on prior years, the annual cost for SFAS No. 112 was $2.2 million and $2.1 million in 1994 and 1993, respectively, and approximates cash expenditures in both years.

BECTON, DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars, except per share amounts

Note 3 (In Part): Benefit Plans

In accordance with SFAS No. 112, the Company recorded a provision of $7,100 in 1994 and $6,000 in 1993, for postemployment benefits. The amount included in expense for 1992 prior to the adoption of SFAS No. 112 was approximately $4,300. The Company utilizes a service-based approach in applying the provisions of SFAS No. 112 for most of its postemployment benefits. Such an approach recognizes that actuarial gains and losses may result from experience that differs from baseline assumptions. Such actuarial gains and losses, if material, are amortized over future service periods.

THE DURIRON COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Postemployment benefits under SFAS No. 112

Effective January 1, 1993, the Company early adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," in accounting for workers' compensation and health care continuation benefits. The cumulative effect as of January 1, 1993 of this change in accounting principle was to decrease pretax income by $616,000, or $.02 per share. Prior to January 1, 1993, the Company recognized the cost of providing these benefits on a cash basis. Under the new method of accounting, the Company accrues the benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid. As required by the Statement, prior year financial statements have not been restated to reflect the change in accounting principle. The effect of the change on 1994 and 1993 income before the cumulative effect of the change was not material.

GOULDS PUMPS, INCORPORATED (DEC)

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

12 (In Part): Employee Benefits

Postemployment Benefits

In the fourth quarter of 1993, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," requiring the accrual method of accounting for certain of these benefits effective January 1, 1993. The Company restated 1993 first quarter operations to record a pre-tax charge of $1,579 ($1,026 after-tax or $.05 per share) as a cumulative effect of accounting change at that date. Previously, the Company recognized postemployment benefit costs when paid. The annual incremental cost of adopting SFAS No. 112 is immaterial on an on-going basis.

ROHM AND HAAS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Benefits

(Millions of dollars)	1994	1993
Postretirement health care and life insurance benefits	$300	$280
Postemployment benefits	20	29
Unfunded executive pension plan (see Note 7)	41	31
Unfunded foreign pension liabilities (see Note 7)	16	13
Total	$377	$353

Effective January 1, 1993, the company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This accounting standard requires the recognition of the liability for future costs of compensation and benefits which will be paid to employees who are on disability leave. The decrease in 1994 was a result of a regulatory change whereby Medicare became the primary insurer for certain disabled persons and an increase in the discount rate from 6% to 8% due to higher interest rates.

UNION CARBIDE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Postemployment Benefits

The cumulative effect of adopting FAS 112 as of Jan. 1, 1993, resulted in a $97 million after-tax charge to 1993 earnings ($0.64 per common share). FAS 112 requires that postemployment benefits expected to be paid before retirement, principally severance, be accrued over employees' working lives. This charge includes postemployment benefits based on normal year-to-year attrition rates, giving effect to the corporation's cost reduction program as of Jan. 1, 1993. Prior year financial statements were not restated.

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 3-12. *APB Opinion No. 25* is the authoritative pronouncement on accounting for employee compensatory plans. Examples of disclosures for such plans follow.

TABLE 3-12: COMPENSATORY PLANS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Stock award	260	245	246	236
Savings/investment	230	208	202	203
Employee stock ownership	149	158	147	158
Profit-sharing	109	111	94	86
Incentive compensation	75	73	85	84
Deferred compensation	45	43	38	33

Stock Award Plans

AMOCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Employee Compensation Programs

Management incentive compensation plans approved by shareholders provide for the granting of awards to key, managerial and other eligible executives of the corporation and certain subsidiaries. Amounts charged against earnings in anticipation of awards to be made later were $15 million in 1994, $10 million in 1993 and $8 million in 1992. Awards made in 1994, 1993 and 1992 amounted to $21 million, $13 million and $16 million, respectively.

The Amoco Performance Share Plan, which became effective in 1992, allocates Amoco stock to eligible employees when the corporation's total return to shareholders meets or exceeds the average return achieved by a select group of competitors. In 1994, the return on Amoco stock, based on the average return for the past three years, was above the competitor three-year average. As a result, employees earned stock equal to 3.5 percent of compensation. No contributions were made on behalf of employees in 1993 as the return on Amoco common stock was below the competitor average. In 1992, the return on Amoco stock was above the competitor average, resulting in employees earning stock equal to 4.4 percent of compensation. The amounts charged to expense in 1994 and 1992 were $59 million and $77 million, respectively.

ENGELHARD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Stock Option and Bonus Plans

The Company's Key Employee Stock Bonus Plan, as amended (the Bonus Plan) provides for the award of up to 11,250,000 common shares to key employees as compensation for future services, not exceeding 1,012,500 shares in any year (plus any cancelled awards or shares available for award, but not previously awarded). The Bonus Plan terminates on June 30, 1996. Shares awarded vest in five annual installments, providing the recipient is still employed by the Company on the vesting date. Compensation value is measured on the date the award is granted.

In 1994, based on a study of incentive compensation and in response to changing demographics, the Company revised its estimate of current compensation expense relating to stock awards to include the cost of shares where the risk of forfeiture by the employee has been removed. The impact of this revised estimate was a net charge to 1994 earnings of $8.6 million ($5.3 million after tax—$.05 per share). Excluding the above change in estimate, in 1994, compensation expense relating to stock awards was $8.6 million in 1994, $6.4 million in 1993 and $6.9 million in 1992. Shares awarded, net of cancellations, are included in average shares outstanding.

FERRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Stock Plans

The Company maintains a Performance Share Plan whereby awards, expressed as shares of common stock of the Company, are earned only if the Company meets specific performance targets over a three to five year period. The Plan provides for 50% of the value of any earned performance shares to be paid to participants in the form of cash and 50% in the form of common stock of the Company. Performance share awards in the amount of 235,395 shares, 305,858 shares and 442,440 shares were outstanding at the end of 1994, 1993 and 1992, respectively. The Company accrues amounts based on performance reflecting the value of cash and common stock which is anticipated to be earned. The effect of the Plan was to reduce income by $64,000, $1,144,000 and $3,658,000 in 1994, 1993 and 1992, respectively.

GUILFORD MILLS, INC. (SEP)

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

9 (In Part): Capital Stock and Stock Compensation:

The Company has reserved 1,500,000 shares of common stock for the 1989 Restricted Stock Plan which covers certain key salaried employees. A total of 397,250 shares are issued and outstanding under the plan at October 2, 1994. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Subject to continued employment, vesting occurs three years from the date of grant for 20% of the shares and ten years from the date of grant for the remaining 80% of the shares. The vesting date for the 20% portion occurred on October 2, 1994. Vesting of the 80% portion has been accelerated to vest evenly over the next three years beginning January 2, 1995 given that defined earnings levels were achieved. Dividend payments are being made to an escrow account. Shares issued under the plan are recorded at their fair market value on date of grant with a corresponding charge to stockholders' investment representing the unearned portion of the award.

The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense totaled $984, $323, $648 and $605 during 1994, the transition quarter, 1993, and 1992, respectively.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands of dollars)

Restricted Stock and Performance Share Award Plan

The restricted stock and performance share award plan provides for issuance of common stock to company officers and key employees. Awards are dependent upon continued employment and, in the case of performance shares, achievement of certain performance objectives. In 1994, 83,100 restricted shares were issued and 46,541 performance shares were awarded. At April 30, 1994, total restricted shares outstanding were 374,108 and total performance share grants outstanding were 116,999. The actual number of performance shares awarded may vary from the number of shares granted depending on the degree to which, the performance objectives are met. The cost of the restricted stock is generally expensed over five years from the date of issuance ($4,205 in 1994, $3,763 in 1993, and $2,487 in 1992). The estimated cost of the performance shares is expensed over three years from the date of grant ($3,131 in 1994, $3,387 in 1993, and $4,999 in 1992). There were no shares of common stock available for future grants under this plan at April 30, 1994. No future grants will be made under this plan, if the shareholders approve the 1994 stock award plan described below.

Savings/Investment Plans

APPLE COMPUTER, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

Savings Plan

The Company has an employee savings plan (the Savings Plan) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, participating U.S. employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit ($9,240 for calendar year 1994). Effective July 1, 1994, the Company matches 30% to 70% of each employee's contributions, depending on length of service, up to a maximum 6% of the employee's earnings. Prior to July 1, 1994, the Company matched 30% to 50% of each employee's contributions, depending on length of service, up to a maximum 6% of the employee's earnings. The Company's matching contributions to the Savings Plan were approximately $10.7 million in 1994 and $11.1 million in each of 1993 and 1992.

GANNETT CO., INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Capital Stock, Stock Options, Incentive Plans

On July 1, 1990, the Company established a 401(k)Savings Plan. Most employees of the Company (other than those covered by a collective bargaining agreement) who are scheduled to work at least 1,000 hours during each year of employment are eligible to participate in the Plan.

Employees may elect to save up to 10% of compensation on a pre-tax basis subject to certain limits. The Company matches, with Company common stock, 25% of the first 4% of employee contributions. To fund the Company's matching contribution, an Employee Stock Ownership Plan (ESOP) was formed which acquired 1,250,000 shares of Gannett stock from the Company for $50 million. The stock purchase was financed with a loan from the Company and the shares are pledged as collateral for the loan. The Company makes monthly contributions to the ESOP equal to the ESOP's debt service requirements less dividends. All dividends received by the ESOP are used to pay debt service. As the debt is paid, shares are released as collateral and are available for allocation to participants.

The Company follows the shares allocated method in accounting for its ESOP. The cost of shares allocated to match employee contributions or to replace dividends that are used for debt service are accounted for as compensation expense. The cost of unallocated shares is reported as deferred compensation in the financial statements. The Company may, at its option, repurchase shares from employees who leave the Plan. The shares are purchased at fair market value and the difference between the original cost of the shares and fair market value is expensed at the time of purchase. All of the shares initially purchased by the ESOP are considered outstanding for earnings per share calculations. Dividends on allocated and unallocated shares are recorded as reductions of retained earnings.

Compensation expense for the 401(k) match and repurchased shares was $2.6 million in 1994 and $2.2 million in 1993 and in 1992. The ESOP shares as of the end of 1994 and 1993 were as follows:

	1994	1993
Allocated shares	376,680	293,643
Shares released for allocation	7,570	7,052
Unreleased shares	865,750	949,305
Shares distributed to terminated participants	(3,706)	(1,817)
ESOP shares	1,246,294	1,248,183

HANDY & HARMAN (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Savings Plan

The Company has a savings plan which qualifies under Section 401(k) of the Internal Revenue Code. This savings plan allows eligible employees to contribute from 1% to 12% of their income on a pretax basis to this savings plan. The Company matches 50% of the first 3% of the employee's contribution. Such matching Company contributions are invested in shares of the Company's common stock and becomes immediately vested. The charge to operations for the Company's matching contribution amounted to $900,000, $862,000 and $581,000, for 1994, 1993 and 1992, respectively.

Employee Stock Ownership Plans

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Stock Plans and Management Compensation

Under the Brunswick Employee Stock Ownership Plan (ESOP), the Company may make annual contributions to a trust for the benefit of eligible domestic employees in the form of either cash or common shares of the Company. In April 1989, the Company's Board of Directors approved an amendment to the ESOP that permits the ESOP to borrow funds to acquire the Company's common shares. Subsequent to that amendment, the ESOP obtained a bridge loan of $100 million and purchased from the Company 5,095,542 shares (ESOP Shares) of the Company's common stock at a price of $19.625 per share. The bridge loan was repaid with notes sold on February 27, 1990. The debt of the ESOP is guaranteed by the Company and is recorded in the Company's consolidated financial statements.

The ESOP Shares are maintained in a Suspense Account until released and allocated to participants' accounts. The release of shares from the Suspense Account is determined by multiplying the number of shares in the Suspense Account by the ratio of debt service payments (principal plus interest) made by the ESOP during the year to the sum of the debt service payments made by the ESOP in the current year plus the debt service payments to be made by the ESOP in future years. Allocation of released shares to participants' accounts is done at the discretion of the Compensation Committee of the Board of Directors. Shares committed-to-be released, allocated and remaining in suspense at December 31 were as follows:

Shares accounts	1994	1993
Committed-to-be-released	298,806	303,661
Allocated	1,310,686	1,094,458
Suspense	3,116,075	3,442,948

The Accounting Standards Division of the American Institute of Certified Public Accountants issued Statement of Position 93-6 (SOP 93-6), Employers' Accounting for Employee Stock Ownership Plans, in November 1993. SOP 93-6 requires accounting for ESOPs under the shares allocated method for shares purchased by ESOPs after December 31, 1992. The Company is covered by the grandfather provisions of SOP 93-6 for its current ESOP shares which were purchased from the Company prior to December 31, 1992 and are accounted for under the cash payment method. All ESOP shares are considered outstanding for earnings (loss) per common share purposes.

The expense recorded by the Company since 1989 is based on cash contributed or committed to be contributed by the Company to the ESOP during the year, net of dividend payments to the ESOP. Unamortized ESOP expense is reduced as the Company recognizes compensation expense. Dividend payments made by the Company to the ESOP are reported as a reduction of retained earnings and are used by the ESOP to pay down ESOP debt. The Company's contributions to the ESOP were as follows:

(in millions)	1994	1993	1992
Compensation expense	$ 2.9	$ 2.4	$ 2.0
Interest expense	6.2	6.6	7.0
Dividends	2.1	2.2	2.2
Total debt service payments	$11.2	$11.2	$11.2

CBI INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
Thousands of dollars

9. Employee Stock Ownership Plan (ESOP)

In 1987, CBI established an ESOP to provide most U.S. salaried employees an additional opportunity to share in the ownership of CBI. Initial funding for the ESOP consisted of a transfer of surplus assets, including 819,458 common shares and $23,909 of cash investments, arising from the termination and restructuring of CBI's principal defined benefit pension plans. In 1988, the ESOP received additional funding through a $125,000 loan. With the proceeds from the loan and funds from the pension reversion, the ESOP purchased an additional 1,230,719 shares of CBI common stock and 3,945,000 shares of Series C preferred stock.

The loan, which is reflected as long-term debt on the balance sheets, was initially offset by a like amount of unamortized ESOP debt in capital stock. As company contributions plus the dividends on the shares held by the ESOP are used to meet interest and principal payments on the loan over its 14-year term, shares acquired with the loan proceeds are allocated to eligible employees. Debt service requirements on the Senior ESOP Notes, which are funded through dividends ($9,005 in 1994, $9,332 in 1993 and $9,543 in 1992) on the shares held by the ESOP and company contributions ($7,952 in 1994, $7,646 in 1993 and $6,454 in 1992) amounted to $16,957 in 1994, $16,978 in 1993 and $15,997 in 1992, and are reported as dividends on preferred and common stock, and as costs and expenses included in the measurement of income from operations. The unamortized ESOP debt offset in capital stock is reduced as shares are allocated.

Shares received and purchased from the transfer of the surplus assets from the terminated and restructured defined benefit pension plans have been reflected as unallocated ESOP shares. These shares have been allocated to eligible employees over a period of eight years ending in 1994. The value of the shares allocated is reflected in the statements of income as a charge, based upon the market value of the stock at each year-end, to costs and expenses included in the measurement of income from operations and on the balance sheets as a reduction of unallocated ESOP shares in capital stock. Such shares have now been fully allocated.

The number of common shares allocated to eligible employees was 165,629 in 1994, 165,795 in 1993 and 159,754 in 1992. The number of Series C preferred shares allocated was 357,275 in 1994, 357,703 in 1993 and 342,238 in 1992.

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 28.2 million previously unissued shares of the company's common stock. 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. The ESOP is expected to satisfy most of the company's obligations to the profit sharing part of the Plan during the next 10 years.

As allowed by AICPA Statement of Position (SOP) 93-6, the company has elected to continue its current practices which are based on SOP 76-3 and subsequent consensuses of the Emerging Issues Task Force of the Financial Accounting Standards Board. Accordingly, the debt of the ESOP is recorded as debt and shares pledged as collateral are reported as deferred compensation in the consolidated balance sheet and statement of stockholders' equity. The company reports compensation expense equal to the ESOP debt principal repayments less dividends received by the ESOP. Interest incurred on the ESOP debt is recorded as interest expense. Dividends paid on ESOP shares are reflected as a reduction of retained earnings. All ESOP shares are considered outstanding for earnings-per-share computations.

The company recorded expense for the ESOP of $42, $60 and $50 in 1994, 1993 and 1992, respectively, including $71, $74 and $75 of interest expense related to the ESOP debt. All dividends paid on the shares held by the ESOP are used to service the ESOP debt. The dividends used were $50, $47 and $35 in 1994, 1993 and 1992, respectively.

The company made contributions to the ESOP of $63, $57 and $18 in 1994, 1993 and 1992, respectively, to satisfy ESOP debt service in excess of dividends received by the ESOP. The ESOP shares were pledged as collateral for its debt. Shares are released from a suspense account and allocated to profit sharing accounts of plan participants, based on the debt service deemed to be paid in the year in proportion to the total of current year and remaining debt service. Compensation expense was $(10), $(17) and $(35) in 1994, 1993 and 1992, respectively. The ESOP shares as of December 31 were as follows:

Thousands	1994	1993
Allocated shares	5,969	5,010
Unallocated shares	21,208	22,452
Total ESOP shares	27,177	27,462

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in Millions

6. Employee Stock Ownership Plan

In 1989, the Company expanded its employee stock ownership plan (ESOP) through the introduction of a leveraged ESOP covering employees who have met certain eligibility requirements. The ESOP issued $410.0 of long-term notes due through 2009 bearing an average interest rate of 8.6%. The long-term notes, which are guaranteed by the Company, are recorded on the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of $65 per share and pays semiannual dividends equal to the higher of $2.44 or the current dividend paid on two common shares for the comparable six-month period. Each share may be converted by the Trustee into two shares of common stock.

Dividends on these preferred shares, as well as common shares also held by the ESOP, are paid to the ESOP trust and, together with Company contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Preferred shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan. At December 31, 1994, 1,017,757 shares were allocated to participant accounts.

Dividends on these preferred shares are deductible for income tax purposes and, accordingly, are reflected net of their tax benefit in the Consolidated Statements of Retained Earnings.

Annual expense related to the leveraged ESOP, determined as interest incurred on the notes, less dividends received on the shares held by the ESOP, plus the higher of either principal repayments on the notes or the cost of shares allocated, was $8.0 in 1994, $7.9 in 1993 and $8.1 in 1992. Similarly, unearned compensation, shown as a reduction in shareholders' equity, is reduced by the higher of principal payments or the cost of shares allocated.

Interest incurred on the ESOP's notes amounted to $34.2 in 1994, $34.5 in 1993 and $35.1 in 1992. The Company paid dividends on the stock held by the ESOP of $32.3 in 1994, $32.7 in 1993 and $32.8 in 1992. Company contributions to the ESOP were $5.7 in 1994 and 1993, and $5.6 in 1992.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

The Company sponsors a defined contribution plan for all full-time employees through its Employee Stock Ownership Plan ("ESOP").

The ESOP Trust (the "Trust") borrowed $357.5 million through a 20-year loan guaranteed by the Company and used the proceeds to purchase 6,688,494 shares of ESOP Preference Stock from the Company. The original liquidation value of the ESOP Preference Stock is guaranteed by the Company. Dividends are cumulative at the stated rate or the common stock rate if higher. Information regarding the ESOP is as follows:

($ in millions)	1994	1993	1992
Dividends paid	$ —	$29.6	$25.8
Dividends accrued	24.9	—	4.3
Annualized dividends	24.9	25.3	25.8
Tax benefit of annualized dividends	10.0	10.1	10.1
Cash contributions*	11.1	7.9	7.4
Interest costs incurred by the Trust	29.0	29.5	29.8
Compensation expense recognized	5.9	5.7	5.5
Interest expense recognized	5.3	5.9	4.7

*1994 amount accrued; paid January, 1995.

Contributions to the ESOP, plus the dividends paid on the ESOP Preference Stock held by the Trust, are used to repay the loan principal and interest. The difference between the cash contribution and the aggregate expense recognized is credited to the Guaranteed ESOP Obligation.

Profit Sharing Plans

CONCORD FABRICS INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

F. Profit-Sharing Plan:

The Company's noncontributory profit-sharing plan, approved by the Treasury Department, for the benefit of eligible full time employees, provides for a minimum annual contribution to a trust fund based on percentages of pretax profits (as defined); the Board of Directors may increase such minimum annual contribution at its sole discretion but all contributions are limited to the maximum amount deductible for federal income tax purposes. Contributions of $500,000, $420,000 and $189,000 were made for the years ended August 28, 1994, August 29, 1993 and August 30, 1992, respectively.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 8 (In Part): Pensions and Other Employee Benefits

The Company has a qualified profit sharing plan which covers substantially all domestic employees except employees covered by collective bargaining agreements and employees of subsidiaries with separate defined contribution plans. Contributions to the plan are based on the Company's consolidated Economic Value Added ("EVA") performance. Profit sharing expense was $3,300 in 1994. The Company made no profit sharing contributions in 1993. Profit sharing expense was $629 in 1992.

HERMAN MILLER, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Plans (In Part)

Profit Sharing Plan • Herman Miller, Inc., and three of its subsidiaries have a trusteed profit sharing plan that covers substantially all employees who have completed one year of employment. The plan provides for discretionary contributions (payable in the company's common stock) of not more than 6.0 percent of pretax income of the participating companies, or such other lesser amounts as may be established by the board of directors. The cost of the plan charged against operations was $2.9, $2.2, and $1.5 million in 1994, 1993, and 1992, respectively.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Profit Sharing Plans and Arrangements (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 contributes 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 1994, 1993 and 1992 were $4,683,000, $3,711,000 and $3,988,000, respectively.

AULT INCORPORATED (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Profit Sharing Plan

The Company has a profit sharing plan covering substantially all employees. The Company is required to match 25 percent of the employees' first 6 percent of contributions and may make additional contributions to the plan to the extent authorized by the Board of Directors. The contribution amount charged to operating expenses in the years ended May 29, 1994, May 30, 1993, and May 31, 1992, approximated $32,000, $35,000, and $32,000, respectively.

ABM INDUSTRIES INCORPORATED (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit Plans

Profit Sharing and Employee Savings Plan

The Company has a discretionary noncontributory profit sharing and employee savings plan covering all non-manual employees (except highly compensated individuals) 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 $417,000 and $385,000 for 1993 and 1994, respectively. No contribution was made to the profit sharing plan for 1992. The Company's matching contributions required by the employee savings plan for 1992, 1993 and 1994 were approximately $490,000, $567,000 and $500,000, respectively.

FOXMEYER CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Retirement Plans and Compensation Plans

The Corporation maintains an employees' savings and profit sharing plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees. Under the plan, employees generally may elect to exclude up to 12% of their compensation from amounts subject to income tax as a salary deferral contribution. The Corporation makes a matching contribution to each employee in an amount equal to 50% of the first 6% of such contributions. The Corporation's matching contributions to the plan were approximately $1.3 million in 1994 and $.9 million in 1993 and 1992. The Corporation did not make any profit-sharing contributions during the three years ended March 31, 1994.

JOSLYN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Profit Sharing and Pension Benefits:

Most domestic subsidiaries of Joslyn participate in one of two Profit Sharing Plans. The plans distribute Unit Contributions primarily in relationship to covered compensation and years of service. For both plans, Company Unit Contributions are at the discretion of the Board of Directors of each participating corporation and are related to profit sharing income, as defined, for each Company Unit. Company Unit Contributions are made partly in cash and partly in common stock of Joslyn Corporation. The plans have similar provisions requiring one year of service for eligibility and five years of service for vesting. Each member of the Profit Sharing Plans is entitled to vote the number of Joslyn Corporation shares allocated to that member's account. Additionally, a 401(k) savings feature is part of the plans which provides proportionate, fully-vested, Company matching contributions. Profit sharing expense for both plans was $2,308,000 in 1994, $2,191,000 in 1993 and $2,596,000 in 1992.

FURON COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Employee Benefit Plans

The Company and its subsidiaries sponsor various qualified plans which cover substantially all of its domestic employees including a profit-sharing/retirement plan, an employee stock ownership plan, and an employee stock purchase plan. The Company also sponsors a nonqualified defined benefit plan covering certain employees.

Profit-Sharing/Retirement Plan

The trusteed profit-sharing/retirement plan provides for an employee salary deferral contribution, a company matching contribution and a company primary contribution. Under the deferral provisions (401K), eligible employees are permitted to contribute up to 10% of gross compensation to the profit-sharing/retirement plan. For amounts up to 8% of the employees' gross compensation the Company will match the employee's contribution at a rate determined by the Board of Directors. Under the company primary contribution provision, each eligible employee will receive a contribution to the profit-sharing/retirement plan based on a percentage of qualified wages as determined based on the Company's performance. Total Company contributions for the years ended January 28, 1995, January 29, 1994 and January 30, 1993 were $1,528,000, $1,336,000, and $1,356,000, respectively.

MINNTECH CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H —Profit Sharing and Retirement Savings

The Company has a 401(k) retirement savings and profit sharing plan under which eligible employees may contribute up to 10% of their salaries. The Company matches 10% of employee contributions to a maximum of 6/10ths of 1% of compensation. In addition, the Company makes profit sharing contributions to the plan annually at the discretion of the Board of Directors. The Company's contributions are as follows:

	Years ended March 31		
	1994	1993	1992
Matching contributions	$ 32,900	$ 29,000	$ 23,000
Profit sharing contributions	171,700	313,500	253,000
	$204,600	$342,500	$276,000

Incentive Compensation Plans

CENTRAL SPRINKLER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Incentive Compensation Plans:

The Company has an Incentive Compensation Plan which provides awards to officers and other employees of the Company. Amounts credited to the incentive compensation fund are 7.1% of monthly operating income, as defined in the Plan, if monthly operating income meets specified levels. Another plan provides two executive officers with a bonus paid on annual net income in excess of the 1985 base income level at the rate of 1¼% of the increase for each officer. The amounts charged to expense under this plan were $55,000 and $13,000 for fiscal 1994 and 1993, respectively. There were no bonuses under this plan in fiscal 1992. In addition, one other officer is paid a monthly commission on sales of certain Company products.

The total amounts charged to expense for all such plans was $590,000, $296,000 and $88,000 for the years ended October 31, 1994, 1993 and 1992, respectively. Awards from the Incentive Compensation Plan are made to officers and other employees based on both specified percentage participation in the Plan as well as special awards determined at the discretion of the Company's Chairman.

UST INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit and Compensation Plans (In Part):

The Company has an Incentive Compensation Plan which provides for incentive payments to designated employees based on stated percentages of net income as defined in the Plan. Expenses under the Plan amounted to $33.5 million for 1994, $28.8 million for 1993 and $26.3 million for 1992.

UNITED FOODS, INC. (FEB)

NOTES TO FINANCIAL STATEMENTS

Note 9 (In Part): Employee Benefit Plans

Incentive Plans

The Company has an incentive compensation plan which covers 45 key employees. The costs of the plan are computed in accordance with a formula which incorporates return on average assets and return on equity. Costs of the plan charged to operations for fiscal 1994, 1993 and 1992 were approximately $136,000, $71,000 and $229,000, respectively.

VULCAN MATERIALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Pension, Other Postretirement Benefits and Incentive Compensation Plans

Incentive Compensation Plans

The Company has a number of incentive compensation plans under which awards are made to officers and other key employees. Expense provisions referable to the plans amounted to $7,494,000 in 1994, $4,295,000 in 1993 and $7,467,000 in 1992. The expense provisions for these plans reflect the cost of distributions payable currently as well as distributions that may be payable in future periods if certain conditions are satisfied. Expense provisions for certain of the plans also are affected by changes in the market value of the Company's common stock.

Deferred Compensation Plans

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Employee Benefit Plans

The Company has a Deferred Compensation Plan which permits eligible officers and directors to defer a portion of their compensation. The deferred compensation, which together with Company matching amounts and accumulated interest is accrued but unfunded, is distributable in cash after retirement or termination of employment, and at December 31, 1994 and 1993, amounted to approximately $1.2 million. The Company amended the Deferred Compensation Plan effective January 1, 1995. The amended plan allows the participants to defer up to a maximum of 50% of base salary from January 1, to May 31, 1995, and up to 100% of annual bonuses for the 1995 calendar year. The participant may elect to receive such deferred amounts, together with interest at the Moody's Corporate Bond Yield rate, in one payment at retirement, or on any plan anniversary after the completion of three years as elected. Participation in the nonqualified plan is limited to a select group of management. The first plan year begins January 1, 1995 and ends May 31, 1995. All subsequent plan years will be June 1 to May 31.

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Employee Benefit Plans

Deferred Stock Plan

The Company's Deferred Stock Plan provides for the award of hypothetical shares of Common Stock ("Units") to certain officers and key employees. The value of each Unit on the award date is equal to the current market value of a share of Common Stock. Benefits will be paid in cash and Common Stock as vested or, at the option of the holder, over varying periods after retirement. As of December 25, 1994, Units were held by 57 employees. The Company recognized compensation expense under the Deferred Stock Plan of $3.4 million in 1994, $2.2 million in 1993 and $.8 million in 1992.

Deferred Stock Plan activity was as follows:

	1994	1993	1992
Outstanding Units, beginning of year	630,505	324,436	377,585
Granted	8,000	351,500	22,400
Accrued dividends	16,036	17,406	10,715
Distributed	(73,775)	(47,416)	(57,253)
Canceled	(22,004)	(15,421)	(29,011)
Outstanding Units, end of year	558,762	630,505	324,436

LABARGE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Employee Benefit Plans

In 1992, the Company started a deferred compensation plan for selected employees who, due to Internal Revenue Service guidelines, could not take full advantage of the contributory profit-sharing plan. This plan, which is not required to be funded, allows eligible employees to defer portions of their current compensation and the Company guarantees a return of 2% over the prime interest rate on the deferral (compounded daily from the date of deferral). To support the deferred compensation plan, the Company has elected to purchase company-owned life insurance. The costs associated with the plan for 1994 are $30,189 for the guaranteed return and $15,312 for the expense of the company-owned life insurance. The cash surrender value of the company-owned life insurance is in other assets. The liability for the deferred compensation is in accrued employee compensation.

O'SULLIVAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Benefit Plans

Deferred Compensation Plan

During 1985, the Corporation initiated a deferred compensation program for key employees of the Corporation. Under this program, the Corporation has agreed to pay each covered employee a certain sum annually for fifteen years upon their retirement or, in the event of their death, to their designated beneficiary. A benefit is also paid if the employee terminates employment (other than by his voluntary action or discharge for cause) before they attain age 65. In that event, the amount of the benefit depends on the employee's years of service with the Corporation (with full benefit paid only if the employee has completed 25 years of service). The Corporation has purchased individual life insurance contracts with respect to each employee covered by this program. The Corporation is the owner and beneficiary of the insurance contracts. The employees are general creditors of the Corporation with respect to these benefits. The expense associated with the Deferred Compensation plan was $295,299 for 1994, $196,064 for 1993 and $91,213 for 1992.

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 $2,056,680 upon retirement and from $1,546,740 to $2,181,600 upon death prior to retirement. One agreement, as modified, has been in effect since 1972 and the second agreement was effective 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.

Charges to operations applicable to those agreements were approximately $72,673, $113,885 and $33,885 for the fiscal years 1994, 1993 and 1992, respectively.

VEBA

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Voluntary Employees' Beneficiary Associations. The company maintains two Voluntary Employees' Beneficiary Associations (VEBAs), one to fund employee welfare benefits and one to fund postretirement medical and death benefits. The balances of the VEBAs (net of associated liabilities) are recorded in the accompanying Consolidated Balance Sheets, classified as current or noncurrent depending on the ultimate expected payment date of the underlying liabilities. As of December 31, 1994, a net current asset of $11.3 million was included in Prepaid Expenses representing the current position of the company's employee welfare benefit plans funded by one of the VEBAs ($9.8 million is included in Prepaid Expenses at December 31, 1993). The VEBA established to partially fund the company's liability for postretirement medical and death benefits ($156 million at December 31, 1994 and $135 million at December 31, 1993) is included in Other Noncurrent Liabilities as an offset to the related liability. For additional information, refer to the notes on "Other Retirement Benefits."

Performance Units Payable In Cash And Phantom Shares

THE INTERPUBLIC GROUP OF COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Long-Term Performance Incentive Plan

Under the Long-Term Performance Incentive Plan (the "Plan"), grants consisting of performance units are awarded to certain key employees of the Company and its subsidiaries. The ultimate value of these performance units is contingent upon the annual growth of profit (as defined in the Plan) of the Company or its operating components or both, over a four-year performance period, and is generally payable in cash. The projected value of these units is accrued by the Company and charged to expense over the four-year performance period.

The Plan also provides that a portion of each participant's grant may be issued as performance units deemed to be the equivalent of "phantom" shares of the Company's Common Stock, at the rate of thirty-six phantom shares for each performance unit. The value of phantom shares is a function of the amount, if any, by which the market value of the Company's Common Stock increases during the performance period and is payable either in cash or in shares of the Company's Common Stock. The increase in the value of these units is accrued and expensed over the four-year performance period. In addition, amounts of cash equivalent to the quarterly dividends paid on the Company's Common Stock are paid to phantom share recipients and expensed pursuant to the provisions of the Plan.

For all such performance units, costs charged to income were approximately $8.5 million in 1994, $10.0 million in 1993 and $17.0 million in 1992. As of December 31, 1994, the Company's liability was $26.7 million, which represents the estimated amounts payable for the 1991-1994 and 1993-1996 performance periods.

The Company's liability for the 1991-1994 performance period was $12.5 million which will be paid in the first quarter of 1995. The Company's liability for the 1989-1992 performance period was $18.8 million of which $10.1 million was paid in December 1992 with the remaining balance paid in the first quarter of 1993.

Equity Plus Cash Grants

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15 (In Part): Stock Options and Other Long-Term Incentive Compensation Awards

The 1993, 1991 and 1984 Long-Term Incentive Plans provide for the granting of stock options and other performance awards to employees of the Corporation.

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During 1994, 1993 and 1992, Equity Plus dollar grants totalling approximately $17 million for the 1992 to 1994 measurement period were granted to employees of the Corporation. Equity Plus dollar grants have the potential to increase in value through both financial performance and stock price appreciation. Payment of these grants is approved by a committee of the Board of Directors and is contingent on achieving performance targets over the measurment period. Certain of these grants were prorated or cancelled upon termination of employment. In February 1995, 154,300 shares of Westinghouse common stock and cash payments totalling $81,000 were issued to employees, and deferrals with future principal payments of $1,761,000 or 127,500 shares of Westinghouse common stock were made for these Equity Plus grants.

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 *Accounting Research Bulletin 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 3-13 summarizes the methods of depreciation used to allocate the cost of productive facilities. Examples of depreciation expense disclosures follow.

TABLE 3-13: DEPRECIATION METHODS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Straight-line	573	570	564	558
Declining-balance	27	26	26	28
Sum-of-the-years'-digits	9	9	12	8
Accelerated method—not specified	49	56	62	70
Units-of-production	49	46	47	50
Other	11	9	5	7

Straight-Line Method

DONALDSON COMPANY, INC. (DEC)

Consolidated Statements of Cash Flows

(Thousands of dollars)	1994	1993	1992
Operating Activities			
Net earnings	$34,155	$28,214	$25,769
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	16,365	14,752	14,047
Cumulative effect of accounting change	(2,206)	—	—
Brazilian asset write down	3,200	—	—
Equity in earnings of affiliates	(3,743)	(3,498)	(1,880)
Deferred taxes	(2,844)	657	(446)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 on facilities and equipment acquired on or prior to July 31, 1992. For financial reporting purposes, the Company adopted the straight line depreciation method for all property acquired after July 31, 1992. The effect of the change was not material to the 1993 financial results. Depreciation expense includes the amortization of capital lease assets.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 to 40 years
Machinery and Equipment	3 to 10 years

GUARDSMAN PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings, 10 to 40 years and machinery and equipment, 3 to 20 years.

Property, plant and equipment is summarized below (in thousands):

December 31	1994	1993
Land	$ 2,559	$ 1,619
Buildings	15,920	14,354
Machinery and equipment	27,469	22,556
Construction in progress	718	242
	46,666	38,771
Less accumulated depreciation	18,689	16,487
	$27,977	$22,284

Depreciation expense was $2,840,000 in 1994, $2,602,000 in 1993 and $2,264,000 in 1992.

JUNO LIGHTING INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Property and Equipment. Property and equipment are stated at cost. Depreciation is computed over estimated useful lives using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting. Depreciation expense in 1994 and 1993 amounted to approximately $2,894,000 and $1,887,000 respectively.

Useful lives for property and equipment are as follows:

Buildings and improvements	20-40 years
Tools and dies	5 years
Machinery and equipment	7 years
Computer equipment	5 years
Office furniture and equipment	5 years

NACCO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Tabular Dollars in Millions)

Note A (In Part): Accounting Policies

Property, Plant and Equipment: Property, plant and equipment are recorded at cost. Depreciation, depletion and amortization are provided in amounts sufficient to amortize the cost of the assets (including assets recorded under capital leases) over their estimated useful lives using the straight-line method. The units-of-production method is used to amortize certain coal-related assets based on estimated recoverable tonnages.

Note E — Property, Plant and Equipment
Property, plant and equipment includes the following:

	December 31	
	1994	1993
Coal lands and real estate		
NACCO Materials Handling Group....	$ 6.0	$ 5.4
Hamilton Beach◊Proctor-Silex.......	.8	.7
North American Coal..............	14.8	15.2
Project mining subsidiaries (Note H) .	54.0	52.7
Kitchen Collection................	.1	.1
NACCO and Bellaire...............	.9	.9
	76.6	75.0
Plant and equipment		
NACCO Materials Handling Group....	208.4	185.5
Hamilton Beach◊Proctor-Silex.......	105.5	94.2
North American Coal..............	15.2	15.2
Project mining subsidiaries (Note H) .	409.3	403.0
Kitchen Collection................	6.0	5.1
NACCO and Bellaire...............	4.1	4.2
	748.5	707.2
	825.1	782.2
Less allowances for depreciation, depletion and amortization.........	339.8	286.0
	$485.3	$496.2

Total depreciation, depletion and amortization expense on property, plant and equipment was $63.2 million, $60.1 million and $53.6 million during 1994, 1993 and 1992, respectively.

Proven and probable coal reserves approximated 2.2 billion tons at December 31, 1994 and 1993.

Accelerated Methods

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS
In millions, except for share amounts

A (In Part): Summary of Significant Accounting Policies
Plant Properties, Investments and Other Assets. Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is generally provided using the declining balance method. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

G. Plant Properties

Plant Properties at December 31	1994	1993
Land	$ 414	$ 359
Land and waterway improvements	660	607
Buildings	2,337	2,177
Transportation and construction equipment	211	199
Machinery and equipment	15,332	14,191
Utility and supply lines	1,315	1,244
Office furniture and equipment	836	757
Wells and mineral reserves	355	240
Other	184	229
Construction in progress	1,566	1,605
Total	$23,210	$21,608

Depreciation expense was $1,321 in 1994, $1,343 in 1993 and $1,342 in 1992. Maintenance and repair costs were $974 in 1994, $1,004 in 1993 and $1,152 in 1992.

HOMASOTE COMPANY (DEC)

Consolidated Statements of Cash Flows

	1994	1993	1992
Cash flows from operating activities:			
Net earnings (loss)...	$1,227,226	$(1,824,028)	$340,749
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	479,977	474,863	520,917
Gain on disposition of fixed assets.....	(3,575)	(14,242)	(60,487)
Cumulative effect of changes in accounting principles.......	—	2,299,730	—
Deferred income taxes...........	(202,145)	(24,378)	(85,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies
Depreciation: Depreciation of plant and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

Note 3 (In Part): Property, Plant and Equipment

	December 31, 1994		
	Cost	Accumulated Depreciation	Carrying Amount
Land	$ 93,543	$ —	$ 93,543
Buildings and additions	8,934,264	4,409,366	4,524,898
Machinery and equipment	19,153,361	18,527,015	626,346
Office equipment	808,218	767,823	40,395
Automotive equipment	417,049	360,473	56,576
	$29,406,435	$24,064,677	$5,341,758

Estimated useful lives and depreciation methods are as follows:

	Estimated useful lives	Predominate methods in use
Buildings and additions	10-50 years	Straight-line
Machinery and equipment	5-20 years	Sum-of-the-years digits
Office equipment	10 years	Sum-of-the-years digits
Automotive equipment	3-5 years	Declining balance

Units-Of-Production Method

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

In thousands	1994	1993	1992
NET SALES	$1,569,577	$1,386,386	$1,460,819
COSTS AND EXPENSES:			
Cost of products sold	1,143,382	1,038,785	1,034,854
Depreciation, amortization and cost of timber harvested	146,446	144,087	146,566
Selling and administrative expenses	74,187	60,149	64,769
Interest expense	88,281	84,509	85,018
Other-net	16,381	32,556	(6,088)
TOTAL COSTS AND EXPENSES	1,468,677	1,360,086	1,325,119
Income before taxes and cumulative effect of accounting change	100,900	26,300	135,700

NOTES TO FINANCIAL STATEMENTS

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

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of related assets except for the Augusta, GA paperboard mill, where the units-of-production method is used. Depreciable lives are 20 to 33 years for buildings and 3 to 30 years for machinery and equipment. Cost of timber harvested is computed at unit cost rates calculated annually based on the estimated volume of recoverable timber and the related costs.

In 1992, the Company began a program to evaluate the estimated useful lives assigned to certain productive assets. As a result of this program, the Company changed the estimated useful lives used to calculate depreciation for certain productive assets. These changes were made to properly reflect the expected use of these assets. The effect on income before taxes was an increase of $1.5 million, $4.1 million and $2.4 million in 1994, 1993 and 1992, respectively. The effect on income after taxes was an increase of $.9 million, $2.5 million and $1.4 million or $.02, $.06 and $.03 per fully diluted common share in 1994, 1993 and 1992, respectively.

Costs of the construction of certain long-term assets include capitalized interest which is amortized over the estimated useful life of the related asset. The Company capitalized interest costs of $6.7 million in 1994, $6.1 million in 1993 and $11.3 million in 1992.

IMC FERTILIZER GROUP, INC. (JUN)

Consolidated Statement of Cash Flows

(In millions)	1994	1993	1992
Cash Flows from Operating Activities			
Net loss	$(28.8)	$(167.1)	$(74.6)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, depletion and amortization	122.4	61.5	83.3
Deferred income taxes	1.6	(78.4)	170.2
Minority interest in earnings of consolidated joint venture	55.1		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Two (In Part): Accounting Policies

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Cost of significant assets includes capitalized interest incurred during the construction and development period. Expenditures for replacements and improvements are capitalized; maintenance and repair expenditures are charged to operations when incurred.

Depreciation and depletion expenses for mining and production operations, including mineral interests, are determined using the unit-of-production method based on estimates of recoverable reserves. Other asset classes or groups are depreciated or amortized on a straight-line basis over their estimated useful lives as follows: buildings, 17 to 50 years; machinery and equipment, five to 25 years.

LOUISIANA-PACIFIC CORPORATION (DEC)

(Dollar Amounts in Millions)	1994	1993	1992
Net Sales	$3,039.5	$2,511.3	$2,184.7
COSTS AND EXPENSES:			
Cost of sales	2,158.4	1,779.9	1,620.5
Depreciation and amortization	143.8	133.0	121.4
Cost of timber harvested	53.5	50.2	41.6
Selling and administrative	125.2	115.6	103.7
Interest income	(10.0)	(7.8)	(7.3)
Interest expense, net of capitalized interest of $5.5, $3.5 and $4.9	9.0	12.8	21.7
Total costs and expenses	2,479.9	2,083.7	1,901.6
Income before taxes, minority interest and cumulative effects of accounting changes	559.6	427.6	283.1

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Property, Plant and Equipment

L-P uses the units of production method of depreciation for most machinery and equipment which amortizes the cost of equipment over the estimated units that will be produced during its useful life.

Provisions for depreciation of buildings and the remaining machinery and equipment have been computed using straight-line rates based on the estimated service lives. The effective straight-line rates for the principal classes of property range from approximately 5% to 20%.

Logging road construction costs are capitalized and included in land and land improvements. These costs are amortized as the timber volume adjacent to the road system is harvested.

L-P capitalizes interest on borrowed funds during construction periods. Capitalized interest is charged to machinery and equipment accounts and amortized over the lives of the related assets. Interest capitalized during 1994, 1993 and 1992 was $5.5 million, $3.5 million and $4.9 million.

L-P defers start-up costs on major construction projects during the start-up phase and amortizes the deferral over seven years. Start-up costs deferred during 1992 were $23.8 million. No start-up costs were deferred during 1994 or 1993.

Production-Variable Method

WHX CORPORATION (DEC)

(in Thousands)	1992	1993	1994
Net sales	$929,786	$1,046,795	$1,193,878
Cost and expenses:			
Cost of products sold	815,801	876,814	979,277
Depreciation	54,931	57,069	61,514
Profit sharing	—	4,819	9,257
Selling, administrative and general expense	67,105	58,564	64,540
Restructuring charges	7,098	—	—
	944,935	997,266	1,114,588
Operating Income (loss)	(15,149)	49,529	79,290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Property, Plant and Equipment

Depreciation is computed on the modified units of production method for financial statement purposes and accelerated methods for income tax purposes. Interest cost is capitalized for qualifying assets during the assets' acquisition period. Capitalized interest cost is amortized on the same basis as the related depreciation.

Maintenance and repairs are charged to income. Renewals and betterments made through replacements are capitalized. Profit or loss on property dispositions is credited or charged to income.

Property, Plant and Equipment

	December 31,	
(Dollars in Thousands)	1993	1994
Land and mineral properties	$ 28,591	$ 28,608
Buildings, machinery and equipment	803,139	906,028
Construction in progress	70,864	49,094
	902,594	983,730
Accumulated depreciation and amortization	153,921	215,446
	$748,673	$768,284

The Company utilizes the modified units of production method of depreciation which recognizes that the depreciation of steelmaking machinery is related to the physical wear of the equipment as well as a time factor. The modified units of production method provides for straight line depreciation charges modified (adjusted) by the level of raw steel production. In 1993 and 1994 depreciation under the modified units of production method was $2.9 million or 7.0% and $2.8 million or 6.1%, respectively, less than straight line depreciation.

Depletion

CALMAT CO (DEC)

Consolidated Statements of Cash Flow

(Amounts in thousands)	1994	1993	1992
Operating Activities:			
Net income (loss)	$18,728	$9,216	$(16,504)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, cost depletion and amortization	29,929	31,953	30,210
Cumulative effect of change in accounting principle	—	(919)	6,000
Special charges	—	—	26,100
Gains from disposal of assets held for sale	—	—	(1,786)
Gains from sale of real estate	(7,678)	(2,081)	(453)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment: Property, plant and equipment is carried at cost. Depreciation is computed using primarily straight-line rates over estimated useful lives (5 to 35 years for plant structures and components and 4 to 25 years for machinery and equipment).

Depletion of rock and sand deposits is computed by the unit-of-production method based upon estimated recoverable quantities of rock and sand.

Significant expenditures which add materially to the utility or useful lives of property, plant and equipment are capitalized. All other maintenance and repair costs are charged to current operations.

The cost and related accumulated depreciation of assets replaced, retired or otherwise disposed of are eliminated from the property accounts, and any gain or loss is reflected in income.

THE COASTAL CORPORATION (DEC)

(Millions of dollars except per share)	1994	1993	1992
Operating Revenues	$10,215.3	$10,136.1	$10,062.9
Operating Costs and Expenses			
Purchases	7,290.0	7,338.1	7,458.0
Operating expenses	1,828.7	1,806.9	1,851.5
Depreciation, depletion and amortization	363.2	355.7	423.5
	9,481.9	9,500.7	9,733.0
Operating Income	733.4	635.4	329.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment. Property additions include acquisition costs, administrative costs and, where appropriate, capitalized interest allocable to construction. Capitalized interest amounted to $8.3 million, $8.4 million and $10.7 million in 1994, 1993 and 1992, respectively. All costs incurred in the acquisition, exploration and development of gas and oil properties, including unproductive wells, are capitalized under the full-cost method of accounting.

Depreciation, depletion and amortization of gas and oil properties are provided on the unit-of-production basis whereby the unit rate for depreciation, depletion and amortization is determined by dividing the total unrecovered carrying value of gas and oil properties plus estimated future development costs by the estimated proved reserves included therein, as estimated by an independent engineer. The average amortization rate per equivalent unit of a thousand cubic feet of gas production for oil and gas operations was $.96 for 1994 and $1.00 for the years 1993 and 1992. Provisions for depletion of coal properties, including exploration and development costs, are based upon estimates of recoverable reserves using the unit-of-production method. Provision for depreciation of other property is primarily on a straight-line basis over the estimated useful life of the properties. The annual rates of depreciation are as follows:

Refining, crude oil and chemical facilities	3.0%-20.0%
Gas systems	0.7%-20.0%
Coal facilities	5.0%-33.3%
Transportation equipment	5.0%-33.3%
Office and miscellaneous equipment	2.5%-20.0%
Buildings and improvements	1.3%-33.3%

Costs of minor property units (or components thereof) retired or abandoned are charged or credited, net of salvage, to accumulated depreciation, depletion and amortization. Gain or loss on sales of major property units is credited or charged to income.

MAXXAM INC. (DEC)

(In millions of dollars)	1994	1993	1992
Net sales:			
Aluminum operations	$1,781.5	$1,719.1	$1,909.1
Forest products operations	249.6	233.5	223.4
Real estate operations	84.6	78.5	70.1
	2,115.7	2,031.1	2,202.6
Costs and expenses:			
Costs of sales and operations (exclusive of depreciation and depletion):			
Aluminum operations	1,625.5	1,587.7	1,619.3
Forest products operations	129.6	134.6	113.8
Real estate operations	62.8	65.3	53.8
Selling, general and administrative expenses	169.4	183.0	173.5
Depreciation and depletion	121.1	120.8	111.4
Restructuring of aluminum operations	—	35.8	—
	2,108.4	2,127.2	2,071.8
Operating income (loss)	7.3	(96.1)	130.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Timber and Timberlands

Depletion is computed utilizing the unit-of-production method based upon estimates of timber values and quantities.

INCOME TAXES

PRESENTATION OF INCOME TAXES

Statement of Financial Accounting Standards No. 109 is the authoritative pronouncement on accounting for and reporting income tax liabilities and expense. Paragraphs 41–49 of *SFAS No. 109* set forth standards for financial presentation and disclosure of income tax liabilities and expense.

Table 3-14 summarizes the descriptive captions used by the survey companies to identify income tax expense. Examples of income tax presentation and disclosure follow.

TABLE 3-14: FEDERAL INCOME TAX EXPENSE

	1994	**1993**	**1992**	**1991**
Descriptive Terms				
Income taxes	558	554	557	547
Federal income taxes	29	25	31	35
United States (U.S.) income taxes	4	6	5	7
	591	**585**	**593**	**589**
Other or no current year amount	9	15	7	11
Total Companies	**600**	**600**	**600**	**600**

Expense Provision

AMERADA HESS CORPORATION (DEC)

Thousands of dollars	1994	1993	1992
Revenues			
Sales (excluding excise taxes) and other operating revenues	$6,601,984	$5,879,521	$5,858,357
Interest and other non-operating revenues	96,809	21,153	95,352
Total revenues	6,698,793	5,900,674	5,953,709
Costs and Expenses			
Cost of products sold and operating expenses	4,449,819	4,287,139	4,039,180
Exploration expenses, including dry holes	249,433	258,826	228,998
Selling, general and administrative expenses	590,647	596,919	581,542
Interest expense	245,149	156,615	147,099
Depreciation, depletion and amortization	879,679	769,390	773,507
Lease impairment	48,254	55,261	59,898
Provision for income taxes	162,098	74,186	115,940
Total costs and expenses	6,625,079	6,198,336	5,946,164
Income (Loss) Before Cumulative Effect of Accounting Change	73,714	(297,662)	7,545

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. 109.

No provision is made for U.S. income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations.

10. Provision for Income Taxes

The provision for income taxes consisted of:

Thousands of dollars	1994	1993	1992
United States Federal			
Current	$ (350)	$15,380	$ 5,352[c]
Deferred	(39,948)[a]	(72,040)	(21,701)
State	1,666	1,552	1,891
	(38,632)	(55,108)	(14,458)
Foreign			
Current	131,107	93,895	109,406
Deferred	69,623	41,272	31,772
	200,730	135,167	141,178
Adjustment of deferred tax liability for income tax rate changes	—	(5,873)	(10,780)
Total	$162,098	$74,186[b]	$115,940

(a) Includes benefit of operating loss of $43,121.

(b) Excludes benefit of $29,459 as of January 1, 1993, from the cumulative effect of the change in accounting for income taxes required by FAS 109.

(c) Includes $11,220 from the refund of prior years' income taxes.

Income (loss) before income taxes consisted of the following:

Thousands of dollars	1994	1993	1992
United States	$(170,813)	$(190,726)	$12,482
Foreign*	406,625	(32,750)	111,003
Total	$235,812	$(223,476)	$123,485

* Foreign income includes the Corporation's Virgin Islands, shipping and other operations located outside of the United States.

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 deferred tax liabilities and assets at December 31 follows:

Thousands of dollars	1994	1993
Deferred tax liabilities		
Fixed assets	$580,651	$549,328
Foreign petroleum taxes	184,033	135,483
Other items	84,254	93,784
Total deferred tax liabilities	848,938	778,595
Deferred tax assets		
Accrued liabilities	123,619	133,682
Net operating and other loss carryforwards	390,430	358,291
Tax credit carryforwards	111,117	113,856
Other items	29,261	29,820
Total deferred tax assets	654,427	635,649
Valuation allowance	(281,529)	(262,389)
Net deferred tax assets	372,898	373,260
Net deferred tax liabilities	$476,040	$405,335

The difference between the Corporation's effective income tax rate and the United States statutory rate is reconciled below:

	1994	1993	1992
United States statutory rate	35.0%	(35.0)%	34.0%
Effect of foreign operations, including foreign tax credits	33.4	71.6	97.4
State income taxes, net of Federal income tax benefit	.5	.5	1.0
Alternative minimum tax	(1.8)	(2.9)	(25.5)
Tax credits	—	(2.6)	(2.1)
Refund of prior years' income taxes and related adjustments	—	—	(9.1)
Other items	1.6	1.6	(1.8)
Total	68.7%	33.2%	93.9%

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 $950 million at December 31, 1994, 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 tax liability of approximately $175 million would have been required.

For income tax reporting at December 31, 1994, the Corporation has general business credit carryforwards of approximately $20 million, expiring in 1999 through 2001. In addition, the Corporation has alternative minimum tax credit carryforwards of approximately $80 million, which can be carried forward indefinitely. The Corporation also has net operating loss carryforwards of approximately $120 million in the United States, expiring in 2009 and approximately $700 million relating to a refining subsidiary, expiring through 2009.

Income taxes paid (net of refunds) in 1994, 1993 and 1992 amounted to $66,569,000, $117,849,000 and $48,091,000, respectively.

BRUNSWICK CORPORATION (DEC)

(in millions)	1994	1993	1992
Net Sales	$2,700.1	$2,206.8	$2,059.4
Cost of sales	1,951.7	1,636.6	1,554.1
Selling, general and administrative	538.4	470.4	425.5
Operating earnings	210.0	99.8	79.8
Interest expense	(28.5)	(27.2)	(29.9)
Interest income and other items, net	16.9	13.9	12.1
Earnings before income taxes	198.4	86.5	62.0
Income tax provision	69.4	32.0	22.3
Earnings from continuing operations before extraordinary item and cumulative effect of accounting changes	129.0	54.5	39.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Income taxes. The Company adopted Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting For Income Taxes," as of January 1, 1992. Under SFAS No. 109, an asset and liability approach is required. Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities.

16. Income Taxes

The sources of earnings (loss) before income taxes are presented as follows:

(in millions)	1994	1993	1992
United States	$191.6	$89.0	$50.1
Foreign	6.8	(2.5)	11.9
Earnings before income taxes	$198.4	$86.5	$62.0

The income tax provision (benefit) consisted of the following:

(in millions)	1994	1993	1992
Current tax expense			
U.S. Federal	$48.3	$13.9	$ 2.8
State and local	2.6	11.1	3.6
Foreign	8.4	7.0	8.4
Total current	$59.3	$32.0	$14.8
Deferred tax expense			
U.S. Federal	$ 4.2	$ 8.5	$10.0
State and local	6.6	(7.0)	(2.0)
Foreign	(0.7)	(1.5)	(0.5)
Total deferred	$10.1	$ 0.0	$ 7.5
Total provision	$69.4	$32.0	$22.3

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities at December 31 are as follows:

(in millions)	1994	1993
Deferred tax assets		
Litigation and claims	$ 18.6	$ 24.5
Product warranty	33.1	29.0
Dealer allowance and discounts	15.8	12.7
Bad debts	9.8	10.3
Sales of businesses	9.9	12.6
Insurance reserves	27.3	22.9
Credit carryforwards and carrybacks	2.5	22.6
Loss carryforwards and carrybacks	13.0	16.2
Other	48.2	41.5
Valuation allowance	(3.2)	(5.8)
Total deferred tax assets	$175.0	$186.5
Deferred tax liabilities (assets)		
Depreciation and amortization	$ 24.5	$ 21.4
Postretirement and postemployment benefits	(22.2)	(36.9)
Other assets and investments	86.5	87.5
Other	45.0	31.9
Total deferred tax liabilities	$133.8	$103.9

The valuation allowance relates to deferred tax assets established under SFAS No. 109 for capital loss carry forwards of $2.9 million, and state net operating loss carryforwards of $0.3 million. These unutilized loss carryforwards, which will expire through 1999, will be carried forward to future years for possible utilization. No benefit for these carryforwards has been recognized in the financial statements. No other valuation allowances were deemed necessary as all deductible temporary differences will be utilized primarily by carryback to prior years' taxable income or as charges against reversals of future taxable temporary differences. Based upon prior earnings history, it is expected that future taxable income will be more than sufficient to utilize the remaining deductible temporary differences. The change in the valuation allowance from 1993 to 1994 is primarily due to the utilization of foreign tax credit carryforwards which reduced income tax expense for the current year.

Deferred taxes have been provided, as required, on the undistributed earnings of foreign subsidiaries and unconsolidated affiliates.

The difference between the actual income tax provision and the tax provision computed by applying the statutory Federal income tax rate to earnings before taxes is attributable to the following:

(in millions)	1994	1993	1992
Income tax provision at 35% in 1994 and 1993 and 34% in 1992	$69.4	$30.3	$21.1
State and local income taxes, net of Federal income tax effect	5.8	2.7	1.1
Foreign sales corporation benefit	(1.5)	(1.5)	(1.4)
Taxes related to foreign income, net of credits	(2.3)	(1.9)	(4.7)
Goodwill and other amortization	0.8	1.8	1.7
Enacted tax rate change	—	(3.6)	—
Other	(2.8)	4.2	4.5
Actual income tax provision	$69.4	$32.0	$22.3
Effective tax rate	35.0%	37.0%	36.0%

In January 1994, the Company reached an agreement with the U.S. Internal Revenue Service regarding its examination of the Company for the years 1985 and 1986. The issues of their examination dealt primarily with the deductability of approximately $500 million of acquired intangible assets, which the IRS proposed to reclassify to non-deductible intangible assets. Under the terms of the agreement, the IRS agreed to allow amortization deductions for virtually all of the acquired intangible assets, and the Company agreed to increase the amortizable lives of most of the acquired intangible assets.

The revised lives created a temporary difference which resulted in an initial obligation by the Company to pay the IRS approximately $55 million during the first quarter of 1994, representing taxes and interest, net of taxes for the years 1986 through 1993. This initial $55 million obligation will subsequently be reduced by the future tax benefits of the temporary difference created by the agreement. Since the interest was charged to existing reserves and the taxes paid represent temporary differences which created, and have been recorded as deferred tax assets, this agreement had no impact on the Company's consolidated results of operation.

GENESCO INC. (JAN)

In Thousands	1995	1994	1993
Net sales	$462,901	$467,891	$430,127
Cost of sales	289,961	292,474	253,693
Selling and administrative expenses	166,156	182,046	161,338
Restructuring charge	22,114	12,319	0
Earnings (loss) from operations before other income and expenses	(15,330)	(18,948)	15,096
Other expenses (income):			
Interest expense	11,955	11,030	5,644
Other expense (income), net	(4,628)	487	1,814
Gain on divestiture	(4,900)	(677)	0
Total other expenses, net	2,427	10,840	7,458
Earnings (loss) before income taxes, discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(17,757)	(29,788)	7,638
Income taxes	757	(1,900)	4,998
Earnings (loss) before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(18,514)	(27,888)	2,640
Discontinued operations:			
Operating income (loss)	(4,540)	(6,831)	7,053
Provision for loss on discontinued operations	(58,138)	(17,060)	0
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	(81,192)	(51,779)	9,693

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

Income taxes are accounted for in accordance with SFAS 109, "Accounting for Income Taxes." Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount of taxes recoverable from taxes paid in the current or prior years. See Note 15 for additional information.

Note 15. Income Taxes

The Company adopted SFAS 109, "Accounting For Income Taxes," effective February 1, 1993. The adoption of SFAS 109 had no effect on net earnings for Fiscal 1994. SFAS 109 permits the recognition of a deferred tax asset if it is more likely than not that the future tax benefit will be realized. The Company does not recognize a deferred tax asset except to the extent future years' deductible items will offset future years' taxable items or will, as loss carrybacks, generate a refund in the current and two previous years. Previously, under SFAS 96, the Company treated future years' net tax deductible items as if they were net operating losses for the years in which they were expected to occur. The Company reported a tax benefit for these losses to the extent the losses would generate a tax refund in the current and two previous years.

Income tax expense (benefit) is comprised of the following:

In Thousands	1995	1994	1993
Current			
U.S. federal	$(1,693)	$(2,962)	$3,147
Foreign	741	438	608
State	10	(377)	872
Deferred			
U.S. federal	1,699	787	397
Foreign	0	(24)	81
State	0	238	(107)
Income tax before discontinued operations and extraordinary loss	757	(1,900)	4,998
Income tax expense (benefit) from:			
Discontinued operations	0	1,905	(988)
Extraordinary loss on the early retirement of debt	0	0	(37)
Total Income Tax Expense	$ 757	$ 5	$3,973

The Fiscal 1995 U.S. federal tax provision reflects the realization of the Company's net deferred tax assets due to the carryback of the current year's loss. At January 31, 1995, approximately $750,000 of current taxes receivable, related to the carryback, remain.

The current U.S. federal tax provision for Fiscal 1994 represents current taxes receivable (collected in Fiscal 1995) arising from the carryback of the Fiscal 1994 loss to the three previous years and refunds received of $216,000 related to taxes paid for Fiscal 1990. The Fiscal 1993 federal tax provision consists of a regular tax of $3,234,000 less tax refunds received related to prior years. The Fiscal 1993 current provision reflects the utilization of minimum tax credits of $1,466,000.

Deferred tax assets and liabilities are comprised of the following:

In Thousands	Jan. 31, 1995	Jan. 31, 1994
Pensions	$ (965)	$ (1,132)
Other	(403)	(672)
Gross deferred tax liabilities	(1,368)	(1,804)
Net operating loss carryforwards	32,641	0
Provisions for discontinued operations and restructurings	27,213	11,756
Inventory valuation	7,736	4,924
Expense accruals	7,694	7,723
Goodwill amortization and writeoff	3,856	3,341
Allowances for bad debts and notes	2,679	2,913
Uniform capitalization costs	2,425	3,087
Depreciation	2,099	2,259
Pensions	2,052	0
Leases	1,969	2,017
Other	1,784	1,748
Tax credit carryforwards	1,496	2,003
Gross deferred tax assets	93,644	41,771
Deferred tax asset valuation allowance	(92,276)	(38,563)
Net Deferred Tax Assets	$ 0	$ 1,404

Due to the carryback of the current years' loss to the previous year, the Company will recoup the maximum amount refundable for taxes it paid and, as a result, no net deferred tax assets are recognized at January 31, 1995. The Company has net operating loss carryforwards available to offset future U.S. taxable income of $32,641,000 expiring in 2009 and 2010.

Reconciliation of the United States federal statutory rate to the Company's effective tax rate is as follows:

	1995	1994	1993
U.S. federal statutory rate of tax	34.00%	34.00%	34.00%
State income taxes, net of U.S. federal income tax benefit	0	0	4.30
Effect of foreign operations	0	0	2.34
Operating losses with no current tax benefit	(34.00)	(33.27)	0
Differences between earnings statement and tax return:			
Depreciation and amortization	0	(.56)	1.32
Valuation allowances	0	0	(.33)
Accrued expenses	0	0	4.56
Capitalized leases	0	0	.86
Tax credits	0	0	(11.11)
Deferred tax benefit	0	0	(5.04)
Other	0	(.18)	(1.64)
Effective Tax Rate	.00%	(.01%)	29.26%

HORMEL FOODS CORPORATION (OCT)

(In Thousands)	1994	1993	1992
Sales, less returns and allowances	$3,064,793	$2,853,997	$2,813,651
Cost of products sold	2,345,492	2,206,945	2,192,154
Gross profit	719,301	647,052	621,497
Expenses:			
Selling and delivery	467,062	424,432	412,458
Administrative and general	65,184	67,302	62,535
Operating income	187,055	155,318	146,504
Other income and expenses:			
Other income—net	6,538	7,199	8,401
Interest expense	(2,523)	(1,371)	(3,851)
Earnings before income taxes and cumulative effect of accounting changes	191,070	161,146	151,054
Provision for income taxes	73,095	60,376	55,880
Earnings before cumulative effect of accounting changes	117,975	100,770	95,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Income Taxes

The Company adopted SFAS No. 109, "Accounting for Income Taxes," as of the beginning of fiscal 1993, changing its method of accounting for income taxes from the deferred method to the liability method. As permitted under SFAS No. 109, prior years' financial statements have not been restated. The cumulative effect of adopting SFAS No. 109 as of November 1, 1992, was to increase net income by $13.3 million.

The components of the provision for income taxes attributable to income before the change in accounting principle were as follows:

	Liability Method		Deferred Method
(In Thousands)	1994	1993	1992
Current:			
U.S. Federal	$65,808	$52,883	$55,823
State	13,146	11,208	10,138
	78,954	64,091	65,961
Deferred:			
U.S. Federal	(5,067)	(3,481)	(8,680)
State	(792)	(234)	(1,401)
	(5,859)	(3,715)	(10,081)
	$73,095	$60,376	$55,880

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company believes that, based upon its lengthy and consistent history of profitable operations, it is probable that the net deferred tax assets of $85 million will be realized on future tax returns, primarily from the generation of future taxable income. Significant components of the deferred income tax liabilities and assets were as follows:

(In Thousands)	Oct. 29, 1994	Oct. 30, 1993
Deferred tax liabilities—		
Tax over book depreciation	$(26,847)	$(28,407)
Prepaid pension	(8,371)	
Other, net	(2,815)	(3,929)
Deferred tax assets—		
Vacation accrual	3,259	3,275
Insurance accruals	4,510	4,309
Deferred compensation	4,601	3,558
Postretirement benefits	91,157	90,717
Pension accrual	6,528	12,547
Other, net	12,982	10,195
Net deferred tax assets	$85,004	$92,265

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	1994	1993	1992
U.S. statutory rate	35.0%	34.8%	34.0%
State taxes on income, net of federal tax benefit	4.2	4.3	3.8
All other, net	(.9)	(1.6)	(.8)
Effective tax rate	38.3%	37.5%	37.0%

Included in the provision for deferred federal income taxes for fiscal year ended 1992 are the effects of timing differences as follows:

(In Thousands)	1992
Depreciation	(2,436)
Employee benefit plans	(2,760)
All other, net	(3,484)
	$(8,680)

Total income taxes paid during fiscal 1994, 1993 and 1992 were $56,298,000, $67,750,000 and $57,161,000, respectively.

LEE ENTERPRISES, INCORPORATED (SEP)

(In Thousands)	1994	1993	1992
Operating Revenue:			
Newspaper:			
Advertising	$134,322	$126,920	$122,762
Circulation	66,302	63,285	59,882
Other	40,408	33,218	31,022
Broadcasting	90,000	81,284	79,118
Media products and services	61,357	58,651	62,846
Equity in net income of associated companies	10,162	9,549	8,288
	402,551	372,907	363,918
Operating Expenses:			
Compensation costs	138,486	128,734	125,475
Newsprint and ink	21,744	21,936	19,939
Depreciation	10,916	11,131	11,246
Amortization of intangibles	12,580	13,645	13,614
Other	123,348	116,322	113,475
	307,074	291,768	283,749
Operating Income	95,477	81,139	80,169
Financial (income) expense:			
Interest expense	13,576	15,312	16,897
Financial (income)	(2,984)	(2,103)	(1,600)
	10,592	13,209	15,297
Income before taxes on income	84,885	67,930	64,872
Income taxes	34,031	26,694	26,380

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Note 8. Income Tax Matters

Components of income tax expense consist of the following:

Year Ended September 30,	1994	1993	1992
Paid or payable on currently taxable income:			
Federal	$27,846	$21,554	$22,349
State	5,535	4,311	4,467
Net increase (decrease) due to deferred income taxes	650	829	(436)
	$34,031	$26,694	$26,380

Income tax expense for the years ended September 30, 1994, 1993 and 1992 is different than the amount computed by applying the U.S. federal income tax rate to income before income taxes. The reasons for these differences are as follows:

% of Pre-Tax Income	1994	1993	1992
Computed "expected" income tax expense	35.0%	34.8%	34.0%
State income taxes, net of federal tax benefit	4.2	4.2	4.4
Net income of associated companies taxed at dividend rates	(3.7)	(4.4)	(4.1)
Effect of change in tax rates on deferred taxes	—	.7	—
Goodwill amortization	3.3	4.7	4.9
Other	1.3	(.7)	1.5
	40.1%	39.3%	40.7%

Foreign taxes are not material.

Net deferred tax liabilities consist of the following components as of September 30, 1994, 1993 and 1992:

(In Thousands)	1994	1993	1992
Deferred tax liabilities:			
Property and equipment	$ 3,429	$ 3,728	$ 2,642
Equity in undistributed earnings of affiliates	1,676	1,529	1,350
Deferred gain on sale of broadcast properties	3,308	3,308	3,231
Identifiable intangible assets	19,686	23,120	34,032
	$28,099	$31,685	$41,255
Deferred tax assets:			
Accrued compensation	$ 7,525	$ 6,670	$ 8,672
Receivable allowance	1,746	1,493	1,429
Loss carryforwards acquired	784	1,703	1,660
Other	3,084	3,411	2,812
	$13,139	$13,277	$14,573
Less valuation allowance	—	1,703	1,660
	$13,139	$11,574	$12,913
	$14,960	$20,111	$28,342

The components giving rise to the net deferred tax liabilities described above have been included in the accompanying balance sheets as of September 30, 1994, 1993 and 1992 as follows:

(In Thousands)	1994	1993	1992
Current assets	$ 6,419	$ 5,803	$ 8,052
Noncurrent liabilities	(21,379)	(25,914)	(36,394)
	$(14,960)	$(20,111)	$(28,342)

The Company provided a valuation allowance of $1,660,000 during 1991 at the time New Mexico Broadcasting Company, Inc. was acquired because of limitations imposed by the tax laws on the Company's ability to realize the benefit of the acquired operating loss carryforwards. The net change in the valuation allowance for deferred tax assets was an increase of $43,000 during 1993, due to the effect of the tax rate change on the net operating loss carryforward. During 1994, as a result of changes in the operations of New Mexico Broadcasting Company, Inc. management has determined that it is more likely than not that the remaining net operating losses will be utilized and, accordingly, reduced the valuation allowance by $1,703,000 with a corresponding reduction in goodwill.

Based upon favorable court rulings for taxpayers with similar circumstances, changes in the income tax law and recent Internal Revenue examinations, the Company changed its estimate of the tax basis of acquired intangibles and reduced goodwill by $5,877,000 and $20,632,000 during the years ended September 30, 1994 and 1993, respectively.

MAXTOR CORPORATION (MAR)

(In thousands)	1994	1993	1992
Revenue	$1,152,615	$1,442,546	$1,037,481
Cost of revenue	1,205,014	1,177,460	848,435
Gross margin	(52,399)	265,086	189,046
Operating expenses:			
Research and development	97,168	112,621	72,417
Selling, general and administrative	78,854	98,497	104,325
Restructuring	19,500	—	—
Total operating expenses	195,522	211,118	176,742
Income (loss) from operations	(247,921)	53,968	12,304
Interest expense	(10,087)	(10,140)	(12,584)
Interest income	2,283	2,557	1,387
Minority interest in loss of joint venture	—	1,014	7,187
Income (loss) before income taxes	(255,725)	47,399	8,294
Provision for income taxes	1,864	1,287	1,145
Net income (loss)	$ (257,589)	$ 46,112	$ 7,149

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Accounting for income taxes. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Under SFAS No. 109, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured by applying enacted tax rates and laws for the taxable years in which those differences are expected to reverse.

The Company adopted the provisions of SFAS No. 109 in its financial statements effective March 28, 1993 for fiscal year 1994. The adoption of SFAS No. 109 did not have a material effect on the Company's consolidated financial position or results of operations in fiscal year 1994. Prior years were accounted for under Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96), and have not been restated.

8. Income Taxes

The provision for income taxes consists of the following:

Year ended *(In thousands)*	March 26, 1994	March 27, 1993	March 28, 1992
Current:			
Federal	$ —	$(4,018)	$ 179
State	—	1,326	—
Foreign	2,798	2,979	966
	2,798	287	1,145
Deferred:			
Foreign	(934)	1,000	—
Total	$ 1,864	$ 1,287	$ 1,145

The provision for income taxes differs from the amount computed by applying the statutory rate of 35% for fiscal year 1994 (34% for fiscal years 1993 and 1992) to income (loss) before income taxes. The principal reasons for this difference are listed in the following table:

Year ended *(In thousands)*	March 26, 1994	March 27, 1993	March 28, 1992
Tax at federal statutory rate	$(89,504)	$16,116	$ 2,820
State income tax, net of federal benefit	—	875	—
Tax costs (savings) from foreign operations	(19,281)	(16,035)	966
Benefit of net operating loss carryforwards	—	—	(2,735)
Repatriated foreign earnings absorbed by current year losses	74,855	—	—
U.S. loss not providing current tax benefit	14,627	8,064	—
Valuation of temporary differences	18,995	(3,965)	70
Reduction of taxes provided in prior years	—	(4,018)	—
Other	2,172	250	24
Total	$ 1,864	$ 1,287	$ 1,145

Deferred income taxes reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income taxes purposes. The significant components of the Company's deferred tax assets and liabilities under SFAS No. 109 as of March 26, 1994 are as follows:

(In thousands)	
Deferred tax assets:	
Inventory valuation account	$ 10,940
Depreciation	9,079
Sales related allowances	10,842
Net operating loss carryforwards	59,978
Tax credit carryforwards	5,963
Accrued special and restructuring	8,938
Other	3,921
Total deferred tax assets	109,661
Valuation allowance for deferred tax assets	96,847
Net deferred tax assets	$ 12,814
Deferred tax liabilities:	
Unremitted earnings of certain foreign entities	$ 12,814
Total deferred tax liabilities	$ 12,814
Total net deferred tax liabilities	$ —

The change in the valuation allowance was a net increase of $38,252,000 from the effective date of the adoption of SFAS No. 109 on March 27, 1993. Approximately $10,226,000 of the valuation allowance is attributable to stock options, the benefit of which will be credited to additional paid-in capital when realized.

Pretax income from foreign operations was approximately $61,000,000, $110,000,000 and $100,200,000 in fiscal years 1994, 1993 and 1992, respectively. The Company enjoys a tax holiday for its operations in Singapore. This holiday will expire in fiscal year 1998. The net impact of this tax holiday was to increase net income by approximately $15,000,000 in fiscal year 1994, $28,000,000 in fiscal year 1993 and $30,600,000 in fiscal year 1992. This equates to $0.47, $0.89 and $1.05 per share fully diluted, for fiscal years 1994, 1993 and 1992, respectively. At March 26, 1994, accumulated earnings of approximately $30,000,000 are intended to be permanently reinvested outside of the United States and no tax has been provided on these earnings. Repatriation of these earnings would result in no additional taxes.

At March 26, 1994, for federal income tax purposes, the Company had net operating loss carryforwards of $171,000,000 which will expire beginning in fiscal year 1997 and tax credit carryforwards of approximately $6,000,000 which will expire beginning in fiscal year 1995. Certain changes in stock ownership can result in a limitation on the amount of net operating loss and tax credit carryovers that can be utilized each year. The Company determined it has undergone such an ownership change. Consequently, utilization of approximately $147,000,000 of net operating loss carryforwards and the deduction equivalent of approximately $6,000,000 of tax credit carryforwards will be limited to approximately $12,000,000 per year.

The Company has reached settlement of certain issues with the Internal Revenue Service. As a result of this settlement, the Company's fiscal year 1993 provision for income taxes reflects a $4,000,000 reduction of taxes provided in prior periods.

TWIN DISC, INCORPORATED (JUN)

(In thousands)	1994	1993	1992
Net sales	$141,193	$139,403	$136,255
Cost of goods sold	113,404	112,197	111,692
Gross profit	27,789	27,206	24,563
Operating expenses:			
Marketing, engineering and administrative expenses	22,840	22,015	22,288
Restructuring costs	—	1,072	262
Earnings from operations	4,949	4,119	2,013
Other income (expense):			
Interest income	173	158	265
Interest expense	(733)	(782)	(1,886)
Equity in earnings of affiliate	522	264	361
Gain on sale of subsidiary	—	—	698
Other, net	56	265	400
	18	(95)	(162)
Earnings before income taxes and cumulative effect of accounting changes	4,967	4,024	1,851
Income taxes	578	1,362	810
Earnings before cumulative effect of accounting changes	4,389	2,662	1,041

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Income Taxes—Effective July 1, 1992, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS No. 109 requires a company to recognize deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, defered tax liabilities and assets are determined based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. Prior to July 1, 1992, the Company utilized the deferred method of accounting for income taxes under which deferred taxes are provided to reflect the tax effects of differences in the timing of recognition of various items of income and expense for financial and income tax reporting purposes. As permitted under the new rules, prior years' financial statements have not been restated.

The Company does not provide for taxes which would be payable if undistributed earnings of its foreign subsidiaries or its foreign affiliate were remitted because the Company either considers these earnings to be invested for an indefinite period or anticipates that if such earnings were distributed, the U.S. income taxes payable would be substantially offset by foreign tax credits.

I. Income Taxes

United States and foreign earnings before income taxes and the cumulative effect of accounting changes were as follows:

(In thousands)	1994	1993	1992
United States	$1,500	$1,548	$1,793
Foreign	3,467	2,476	58
	$4,967	$4,024	$1,851

The provision (credit) for income taxes, excluding the cumulative effect of accounting changes, is comprised of the following:

(In thousands)	1994	1993	1992
Currently payable:			
Federal	$(112)	$ 876	$ 402
State	39	15	—
Foreign	812	898	868
	739	1,789	1,270
Deferred:			
Federal	(150)	(248)	(106)
State	—	6	—
Foreign	(11)	(185)	(354)
	(161)	(427)	(460)
	$ 578	$1,362	$ 810

Effective July 1, 1992, the Company adopted the provisions of SFAS No. 109 and recorded a tax benefit of approximately $1.1 million ($0.38 per share). This has been reflected in the consolidated statement of operations as part of the cumulative effect of accounting changes.

The sources of significant temporary differences which gave rise to the deferred tax provision and their effects, excluding the cumulative effects of accounting changes, were as follows:

(In thousands)	Estimated Tax Effect		
	1994	1993	1992
Retirement plans	$(497)	$(501)	$ (64)
Inventory	345	90	231
Marketing program expenses	162	(204)	314
Employee benefits	848	—	—
Research and development expenses	(513)	—	—
Accrued liabilities	35	(390)	(329)
Depreciation	(698)	260	154
State income taxes, net	—	86	—
Loss carryforward	(254)	15	(345)
Tax credits	41	—	—
Alternative minimum tax	251	—	(311)
Other	119	217	(110)
	$(161)	$(427)	$(460)

The components of the net deferred tax assets as of June 30 were as follows:

(In thousands)	1994	1993
Deferred tax assets:		
Retirement plans	$11,924	$11,427
Inventory	772	1,117
Marketing program expenses	148	310
Employee benefits	614	1,462
Research and development expenses	513	—
Accrued liabilities	838	873
Other	75	439
	14,884	15,628
Foreign net operating loss carryforwards	2,120	2,470
Tax credit carryforwards, principally foreign	2,355	3,581
Alternative minimum tax credit carryforwards	623	372
Valuation allowance	(2,453)	(4,324)
	17,529	17,727
Deferred tax liabilities:		
Fixed assets	7,540	8,238
State income taxes, net	494	494
Other	400	61
	8,434	8,793
Total net deferred tax assets	$ 9,095	$ 8,934

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets which may not be realized due to the expiration of net operating losses and tax credit carryforwards. The change in the valuation allowance for the year ended June 30 is as follows:

(In thousands)	1994	1993
Balance at July 1	$(4,324)	$(3,927)
Increase in nonutilization of net operating loss carryforwards, tax credits and non-recognition of deferred tax asset due to uncertainty of recovery	(70)	(510)
Utilization of foreign tax loss carryforwards	604	113
Utilization of foreign tax credit carryforwards	988	—
Expired foreign tax credit carryforwards	349	—
Balance at June 30	$(2,453)	$(4,324)

Following is a reconciliation of the applicable U.S. federal income tax rates, excluding the cumulative effect of accounting changes, to the effective tax rates reflected in the statement of operations:

	1994	1993	1992
U.S. federal income tax rate	34.0%	34.0%	34.0%
Increases (reductions) in tax rate resulting from:			
Utilization of tax loss carryforwards	(12.2)	(2.9)	—
Foreign expenses without tax benefits	—	—	17.2
Sale of subsidiary	—	—	(26.5)
Foreign tax items	(13.8)	1.6	(8.0)
State income taxes, net	.5	.5	—
Employee benefits—foreign	3.2	3.4	6.8
Other, net	(.1)	(2.8)	20.3
	11.6%	33.8%	43.8%

At June 30, 1994, net operating loss carryforwards of approximately $5,277,000 were available for reduction of future foreign income taxes payable at Twin Disc International, S.A.

Cash paid for income taxes was $1,636,000, $1,438,000 and $1,134,000 in 1994, 1993 and 1992, respectively.

Credit Provision

HARNISCHFEGER INDUSTRIES, INC. (OCT)

(Dollar amounts in thousands)	1994	1993	1992
Revenues			
Net sales	$1,116,704	$989,195	$1,141,536
Other income	23,219	8,086	14,271
	1,139,923	997,281	1,155,807
Cost of Sales	892,449	777,320	871,399
Product Development, Selling and Administrative Expenses	200,567	185,471	185,127
Restructuring Charge	—	67,000	—
Nonrecurring Charge	—	8,000	—
Operating Income (Loss)	46,907	(40,510)	99,281
Interest (Expense)—Net	(20,261)	(21,796)	(8,667)
Income (Loss) from Continuing Operations before Provision (Credit) for Income Taxes and Minority Interest	26,646	(62,306)	90,614
Provision (Credit) for Income Taxes	5,300	(20,600)	31,550
	21,346	(41,706)	59,064
Minority Interest	(2,224)	4,799	(9,277)
Income (Loss) from Continuing Operations	19,122	(36,907)	49,787
Income (Loss) from Discontinued Operations, net of applicable income taxes	(1,007)	3,680	5,686
Gain on Sale of Discontinued Operation, net of applicable income taxes	—	16,173	—
Cumulative Effect of Accounting Change, net of applicable income taxes and minority interest	(66,142)	—	—
Net Income (Loss)	$(48,027)	$(17,054)	$55,473

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 1 (In Part): Significant Accounting Policies

Income Taxes—Effective November 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" (SFAS 109) retroactive to fiscal 1989. SFAS 109 changed the criteria for measuring the provision for income taxes and recording deferred tax assets and liabilities on the consolidated balance sheet. Under SFAS 109, 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. The Company reflected the initial application of the new standard as a cumulative effect of a change in accounting principle in the year of adoption and accordingly recognized income of $5,520 in the first quarter of fiscal 1989. The consolidated financial statements for each year presented take into account the effects of SFAS 109. See Note 6—Income Taxes.

Note 6. Income Taxes

Effective November 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes," retroactive to November 1, 1988. See Note 1—Significant Accounting Policies. The impact on previously reported net income and earnings (loss) per share from adopting the new standard is as follows:

	1993		1992	
Year Ended October 31, *(in thousands)*	Income (Loss)	Per Share	Income (Loss)	Per Share
Increase (decrease) from previously reported	$644	$.03	$(1,213)	$(.04)

The components of income (loss) from continuing operations before income taxes and minority interest for the Company's domestic and foreign operations for the years ended October 31 were as follows:

(in thousands)	1994	1993	1992
Domestic	$3,839	$(56,043)	$48,788
Foreign	22,807	(6,263)	41,826
Income (loss) from continuing operations before provision (credit) for income taxes and minority interest	$26,646	$(62,306)	$90,614

The consolidated provision (credit) for income taxes included in the statement of income for the years ended October 31 consisted of the following:

(in thousands)	1994	1993	1992
Current provision:			
Federal	$ 2,282	$ 2,547	$ 3,436
State	572	2,100	1,235
Foreign	6,316	3,668	26,512
Total current	9,170	8,315	31,183
Deferred provision (credit):			
Federal	(45,630)	(17,715)	7,135
State and foreign	(1,040)	2,027	(3,235)
Total deferred	(46,670)	(15,688)	3,900
Total consolidated income tax provision (credit)	$(37,500)	$(7,373)	$35,083

Income tax provision (credit) is included in the statement of income as follows:

(in thousands)	1994	1993	1992
Continuing operations	$5,300	$(20,600)	$31,550
Income (loss) from discontinued operations	900	3,816	3,533
Gain on sale of discontinued operation	—	9,411	—
Cumulative effect of accounting change	(43,700)	—	—
	$(37,500)	$(7,373)	$35,083

The difference between the federal statutory tax rate and the effective tax rate on continuing operations for the years ended October 31 follows:

	1994	1993	1992
Federal statutory tax rate	35.0%	(34.8)%	34.0%
Goodwill amortization not deductible for tax purposes	1.7	.7	.5
Canadian restructuring (1993) and other differences in foreign and U.S. tax rates	(.1)	1.4	4.1
Differences in Foreign Sales Corporation and U.S. tax rate	(7.8)	(1.9)	(2.0)
State income taxes, net of federal tax impact	(5.2)	1.5	.5
General business credits utilized	(5.2)	(.4)	—
Resolution of certain prior years' tax exposures	—	—	(2.2)
Other items—net	1.5	.4	(0.1)
Effective tax rate	19.9%	(33.1)%	34.8%

Temporary differences and carryforwards which gave rise to the net deferred tax liability are as follows:

October 31, *(in thousands)*	1994	1993
Differences in revenue recognition for book and tax purposes	$ (565)	$ (5,233)
Inventories	(3,381)	(3,775)
Accrued expenses not currently deductible	9,788	7,940
Provisions for restructuring not currently deductible	2,588	19,154
Other—net	(931)	5,337
Total deferred income taxes included in other current assets	$ 7,499	$ 23,423
Depreciation and amortization in excess of book expense	$(56,439)	$(64,025)
Employee benefit related items	18,266	(16,886)
Tax credit carryforwards	40,497	29,628
Tax loss carryforwards	34,595	29,749
Other accruals in excess of tax expense	(13,686)	(27,209)
State taxes	(5,483)	(8,143)
Other—net	(15,222)	(10,200)
	2,528	(67,086)
Valuation allowance	(14,134)	(12,371)
Total deferred income taxes	$(11,606)	$(79,457)
Net deferred tax liability	$ (4,107)	$(56,034)

At October 31, 1994, the Company had foreign tax credit carryforwards of $14,357 expiring in 1995, 1998 and 1999, general business tax credits of $18,914 expiring in 2003-2009, and alternative minimum tax credit carryforwards of $7,226 which do not expire. In addition, tax loss carryforwards consisted of foreign loss carryforwards of $21,464 with various expiration dates, and domestic carryforwards of $13,131 with various states and expiration dates. The carryforwards will be available for the reduction of future income tax liabilities.

U.S. income taxes, net of foreign taxes paid or payable, have been provided on the undistributed profits of foreign subsidiaries, except in those instances where such profits are expected to be permanently reinvested. Such unremitted earnings of subsidiaries which have been or are intended to be permanently reinvested were $96,600 at October 31, 1994. If, for some reason not presently contemplated, such profits were to be remitted or otherwise became subject to U.S. income tax, the Company expects to incur tax at substantially less than the U.S. income tax rate as a result of foreign tax credits that would be available.

Income taxes paid were $10,816, $11,858 and $40,020 for 1994, 1993 and 1992, respectively.

SPARTON CORPORATION (JUN)

	1994	1993	1992
Net sales	$201,174,104	$233,052,133	$245,379,966
Costs and expenses:			
Costs of goods sold	183,941,559	198,059,278	210,885,656
Selling and administrative	24,038,992	23,977,155	22,028,891
	207,980,551	222,036,433	232,914,547
	(6,806,447)	11,015,700	12,465,419
Other income (expense):			
Interest	(685,279)	(601,975)	(1,073,423)
Other—net	471,312	229,217	417,295
	(213,967)	(372,758)	(656,128)
Income (loss) before income taxes	(7,020,414)	10,642,942	11,809,291
Provision (credit) for income taxes (Note 7)	(2,121,000)	4,005,000	3,841,000
Net income (loss)	$ (4,899,414)	$ 6,637,942	$ 7,968,291

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Income taxes

During the first quarter of 1994, the Company adopted SFAS No. 109, "Accounting for Income Taxes." The Statement requires the use of the asset and liability approach for financial accounting and reporting for income taxes (liability method). Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Financial statements for prior years have not been restated. Comparative income tax information is reflected under the liability method for 1994 and the deferred method for 1993 and 1992.

The cumulative effect of adopting SFAS No. 109 as of July 1, 1993 was to decrease the net loss by $264,000 ($.03 per share), primarily due to a reduction in the expected tax rates used to measure the deferred tax assets and liabilities.

Significant components of the Company's deferred tax assets and liabilities at June 30, 1994 are as follows:

Deferred tax assets:	
Canadian tax carryovers	$ 1,304,000
Employment and compensation	1,231,000
Inventories	1,164,000
Other	397,000
Total deferred tax assets	4,096,000
Less valuation allowance for Canadian tax carryovers	(1,304,000)
	2,792,000
Deferred tax liabilities:	
Property, plant and equipment	1,593,000
Prepaid pension costs	1,053,000
Total deferred tax liabilities	2,646,000
Net deferred tax assets	$ 146,000

Deferred taxes are included in the balance sheet at June 30, 1994 as follows:

Prepaid expenses	$ 1,955,500
Deferred tax liabilities	1,809,500
	$ 146,000

Significant timing differences affecting deferred taxes in 1993 and 1992 were inventory valuation for financial reporting purposes under those for tax purposes of $970,000 and $1,041,000, respectively. The 1993 deferred taxes also include net periodic pension income not currently taxable of $576,000.

Income (loss) before income taxes consists of the following:

	1994	1993	1992
United States	$(5,625,236)	$12,069,999	$12,459,156
Canada	(1,395,178)	(1,427,057)	(649,865)
	$(7,020,414)	$10,642,942	$11,809,291

The related provision (credit) for income taxes consists of:

	1994	1993	1992
Current:			
United States	$(2,397,000)	$3,073,000	$3,725,000
Canada	(32,000)	(48,000)	(243,000)
State and local	206,000	463,000	110,000
	(2,223,000)	3,488,000	3,592,000
Deferred:			
United States	102,000	447,000	270,000
Canada	—	70,000	(21,000)
	102,000	517,000	249,000
	$(2,121,000)	$4,005,000	$3,841,000

The consolidated effective tax rate differs from the statutory U.S. federal tax rate for the following reasons and by the following percentages:

	1994	1993	1992
Statutory U.S. federal tax (benefit) rate	(34.0%)	34.0%	34.0%
Significant increases (reductions) resulting from:			
Canadian tax loss carryovers	6.3	4.7	—
State and local income taxes	1.9	2.9	0.6
Tax benefit of foreign sales corporation	(2.4)	(2.5)	(1.3)
Other	(2.0)	(1.5)	(0.8)
Effective tax (benefit) rate	(30.2%)	37.6%	32.5%

For Canadian income tax purposes, approximately $2,429,000 of non-capital losses and scientific research and experimental development expenditures are available at June 30, 1994 for carryover against income in future tax years. These carryovers begin to expire in the year 2000. In addition, unused investment tax credits of approximately $333,000 at June 30, 1994 are available for carryover against tax liabilities in future tax years. These carryover credits will begin to expire in the year 2004. For financial reporting purposes, a valuation allowance for the full amount of the Canadian carryovers has been established. This valuation allowance amounted to $622,000 at July 1, 1993 and $1,304,000 at June 30, 1994.

UNITED FOODS, INC. (FEB)

	1994	1993	1992
Net Sales and Service Revenues	$175,796,000	$156,318,000	$154,368,000
Cost of Sales and Services	143,584,000	126,134,000	121,341,000
Gross profit	32,212,000	30,184,000	33,027,000
Selling, Administrative and General Expenses	28,926,000	27,270,000	28,358,000
Operating income	3,286,000	2,914,000	4,669,000
Other Income (Expense):			
Interest expense	(3,139,000)	(3,295,000)	(4,587,000)
Miscellaneous	(97,000)	(764,000)	5,833,000
Total other income (expense)	(3,236,000)	(4,059,000)	1,246,000
Income (loss) from continuing operations before taxes on income (benefit) and cumulative effect of change in accounting for income taxes	50,000	(1,145,000)	5,915,000
Taxes on Income (Benefit) (Note 6)	(40,000)	(924,000)	1,975,000
Income (loss) from continuing operations before cumulative effect of change in accounting for income taxes	90,000	(221,000)	3,940,000

SUMMARY OF ACCOUNTING POLICIES

Taxes on Income

Effective March 1, 1992, the Company adopted the asset and liability method specified by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). Under FAS 109, the Company provides for estimated income taxes payable or refundable on current year income tax returns for the estimated future tax effects attributable to temporary differences and carryforwards. Measurment of deferred income taxes is based on enacted tax laws and tax rates, with the measurement of deferred income tax assets being reduced by estimated amounts of tax benefits not likely to be realized. In accordance with FAS 109, the effects of applying this new method to years prior to fiscal 1993 have been presented in the statements of operations as the cumulative effect of the change in accounting method. The Company previously accounted for taxes on income in accordance with the requirements of APB Opinion No. 11.

NOTES TO FINANCIAL STATEMENTS

Note 6. Taxes on Income

The Company changed its method of accounting for income taxes by adopting FAS 109 in fiscal 1993. The cumulative effect of the change on fiscal 1993 was to increase the net loss by $1,895,000 ($.14 per share) for the cumulative effect on prior years.

The components of the income tax benefit arising from continuing and discontinued operations are as follows:

	Year ended February 28 or 29,		
	1994	1993	1992
Current:			
Federal	$ 220,000	$ (80,000)	$(484,000)
State	(11,000)	(420,000)	(135,000)
	209,000	(500,000)	(619,000)
Deferred:			
Federal	(222,000)	(379,000)	272,000
State	(27,000)	(45,000)	(2,000)
Income tax benefit	$ (40,000)	$(924,000)	$(349,000)

The income tax benefit is included in the statements of operations as follows:

	Year ended February 28 or 29,		
	1994	1993	1992
Continuing operations	$(40,000)	$(924,000)	$1,975,000
Discontinued operations	—	—	(2,324,000)
	$(40,000)	$ (924,000)	$ (349,000)

The components of the net deferred income tax liabilities consist of the following:

	February 28, 1994	February 28, 1993
Deferred tax assets:		
Net operating loss carryforwards	$ 4,206,000	$ 4,620,000
Jobs and other tax credit carryforwards	1,070,000	805,000
Inventory overhead (UCR adjustment)	546,000	476,000
Accrued vacation	386,000	350,000
Deferred compensation	319,000	330,000
Allowance for losses on disposals of assets of discontinued operations	—	312,000
Other	467,000	347,000
Total deferred income tax assets	6,994,000	7,240,000
Deferred income tax liabilities:		
Fixed asset basis difference	(11,155,000)	(11,304,000)
LIFO spread adjustment	(938,000)	(1,250,000)
Product introduction allowances	(316,000)	(333,000)
Other	(213,000)	(230,000)
Total deferred income tax liabilities	(12,622,000)	(13,117,000)
Total net deferred income tax liabilities	(5,628,000)	(5,877,000)
Less current deferred income taxes	(43,000)	(639,000)
Long-term deferred income taxes	$(5,585,000)	$(5,238,000)

The effective tax rate on income from continuing operations before taxes on income and cumulative effect of change in accounting is different from the maximum federal statutory tax rate. The following summary reconciles taxes at the maximum federal statutory tax rate with the effective rate:

	Year ended February 28 or 29, 1994 Percent	1993 Percent	1992 Percent
Taxes on income (benefit) at maximum statutory rate	34.0	(34.0)	(34.0)
Increase (reduction) resulting from:			
State income taxes, net of federal tax benefit	(50.0)	(2.2)	1.6
Fuels and jobs tax credits	(150.3)	(10.1)	1.4
Tax exams relating to prior years	—	(37.4)	—
Other items	86.3	3.0	(2.4)
Taxes on income at effective rate	(80.0)	(80.7)	(33.4)

Approximately $11,071,000 in tax basis federal operating loss carryforwards remain at February 28, 1994. The carryforwards expire $7,600,000 in 2004, $3,385,000 in 2007 and $86,000 in 2008.

No Provision

AULT INCORPORATED (MAY)

	1994	1993	1992
Net Sales	$17,974,661	$21,198,023	$23,311,222
Cost of Goods Sold	14,237,723	15,947,751	17,267,537
Gross profit	3,736,938	5,250,272	6,043,685
Operating Expenses			
Marketing	1,877,777	2,164,005	2,154,385
Design engineering	934,624	1,157,589	1,049,638
General and administrative	1,955,965	1,946,159	1,961,027
	4,768,366	5,267,753	5,165,050
Operating income (loss)	(1,031,428)	(17,481)	878,635
Nonoperating Income (Expense)			
Other	(851)	18,033	(29,321)
Interest expense	(287,563)	(231,375)	(203,794)
Income (loss) before income taxes	(1,319,842)	(230,823)	645,520
Income Taxes (Note 4)	—	—	—
Net income (loss)	$(1,319,842)	$ (230,823)	$ 645,520

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Investment tax credits are accounted for by the flow-through method whereby they reduce income taxes currently payable and the provision for income taxes in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized on the Company's tax return, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward amount.

Reference should also be make to Note 4 regarding a change in the method of accounting for income taxes.

Note 4. Income Taxes

Effective May 31, 1993, the Company adopted FASB Statement No. 109, *Accounting for Income Taxes.* Financial statements for prior years have not been restated and the cumulative effect of the accounting change was not material. As explained in Note 1, Statement No. 109 adopts a liability method that requires the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, Statement No. 109 generally considers all expected future events other than enactments of changes in tax laws or rates. Previously, the Company used a liability method under FASB Statement No. 96, but that method gave no recognition to future events other than the recovery of assets and settlement of liabilities at their reported amounts.

Pretax income (loss) for domestic and foreign operations was as follows:

	1994	1993	1992
Domestic	$ (929,178)	$ (89,169)	$479,074
Foreign	(390,664)	(141,654)	166,446
Total	$(1,319,842)	$(230,823)	$645,520

Income tax expense (credits) for the years ended May 29, 1994, May 30, 1993, and May 31, 1992, differs from the expected rate for the following reasons:

	1994	1993	1992
Computed expected tax provision (benefit):			
Domestic	$(315,000)	$(30,000)	$163,000
Foreign	(82,000)	(30,000)	38,000
State	(40,000)	(4,000)	19,000
Generation (utilization) of net operating loss carryforwards:			
Domestic	355,000	34,000	(182,000)
Foreign	—	—	—
Effect of Korean tax holiday status	82,000	30,000	(38,000)
	$ —	$ —	$ —

Net deferred taxes consist of the following components as of May 29, 1994:

Deferred tax assets:	
Tax credit carryforwards	$ 556,000
Loss carryforwards	534,000
Allowance for doubtful accounts	52,000
Inventory allowances	60,000
Accrued vacation	44,000
Accrued warranty	27,000
Other	10,000
	1,283,000
Less valuation allowance	1,282,000
	1,000
Deferred tax liabilities:	
Equipment and leasehold improvements	1,000

During the year ended May 29, 1994, the Company recorded a valuation allowance of $1,202,000 on the deferred tax assets to reduce the total to an amount that management believes will ultimately be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that temporary differences and carryforwards are expected to be available to reduce taxable income.

At May 29, 1994, the Company had net operating loss carryforwards to reduce future taxable income in the United States of approximately $1,326,000. The Company also has tax credit carryforwards of approximately $556,000 available to offset against future income taxes in the United States for income tax purposes. The net operating loss and tax credit carryforwards expire in varying amounts as follows for income tax reporting purposes:

	Net Operating Loss	Tax Credits
1995	$ —	$ 10,000
1996	—	—
1997	—	27,000
1998	—	81,000
1999	—	230,000
2000	—	52,000
2001	—	22,000
2002	—	—
2003	44,000	—
2004	—	14,000
2005	190,000	42,000
2006	192,000	40,000
2007	—	35,000
2008	—	3,000
2009	900,000	—
	$1,326,000	$556,000

Effective for the year ending 1990 the Company's subsidiary, Ault Korea Corporation, elected a five-year tax holiday available under Korean tax laws. Under this election, the subsidiary will not be subject to Korean income taxes until fiscal year 1995. Any losses incurred during this period may not be carried back or carried forward to offset earnings outside the holiday period.

HURCO COMPANIES, INC. (OCT)

(Dollars in thousands)	1994	1993	1992
Sales and service fees	$72,628	$ 72,230	$87,828
Cost of sales and service	57,063	61,802	66,178
Gross profit	15,565	10,428	21,650
Selling, general and administrative expenses	18,129	22,001	24,213
Restructuring charge	—	6,750	1,070
Operating income (loss)	(2,564)	(18,323)	(3,633)
Interest expense	3,301	2,828	2,722
Other (income), net	(74)	(7)	(63)
Income (loss) before income taxes	(5,791)	(21,144)	(6,292)
Income tax expense (benefit)	—	—	(503)
Net income (loss)	$ (5,791)	$(21,144)	$ (5,789)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes. Effective November 1, 1993, the Company adopted the provisions of the Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". The Company adopted this new statement as a cumulative effect of a change in accounting principle with no restatement of prior periods. However, as discussed more fully in Note 6, the Company has established a full valuation allowance against these carry forward benefits. Therefore, there is no cumulative effect of this change on the Consolidated Statement of Operations.

6. Income Taxes

Effective November 1, 1993, the Company adopted the provisions of the Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". The Company adopted this new statement as the cumulative effect of a change in accounting principle with no restatement of prior periods. However, as discussed more fully below, the Company has established a full valuation allowance against these carryforward benefits. Therefore, there is no cumulative effect of this change on the Consolidated Statement of Operations.

Deferred income taxes reflect the effect of temporary differences between the tax basis of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred income taxes also reflect the value of net operating losses and an offsetting valuation allowance. The Company's total deferred tax assets and corresponding valuation allowance at November 1, 1993 and October 31, 1994, consisted of the following:

	10/31/94	11/01/93
Tax effects of future tax deductible items related to:		
Accrued restructuring costs	$ 462	$ 1,126
Accrued obsolescence	487	740
Accrued warranty expenses	314	307
Other accrued expenses	1,097	648
Total deferred tax assets	2,360	2,821
Tax effects of future taxable differences related to:		
Accelerated tax depreciation and other tax over book deductions related to property and equipment	(447)	(573)
Other	(605)	(334)
Total deferred tax liabilities	(1,052)	(907)
Net tax effects of temporary differences	1,308	1,914
Tax effects of carryforward benefits:		
U.S. federal net operating loss carryforwards, expiring 2001-2009	8,790	6,250
Foreign net tax benefit carryforwards with no expiration	3,403	2,604
U.S. federal general business tax credits, expiring 2001-2009	1,505	1,505
Tax effects of carryforwards	13,698	10,359
Tax effects of temporary differences and carryforwards	15,006	12,273
Less valuation allowance	(15,006)	(12,273)
Net deferred tax asset	$ —	$ —

SFAS No. 109 requires that a valuation allowance be recorded against tax assets which are not likely to be realized. Specifically, the Company's carryforwards expire at specific future dates and utilization of certain carryforwards is limited to specific amounts each year. However, due to the uncertain nature of their ultimate realization based upon past performance and expiration dates, the Company has established a full valuation allowance against these carryforward benefits and is recognizing the benefits only as reassessment demonstrates they are realizable. Realization is entirely dependent upon future earnings in specific tax jurisdictions. While the need for this valuation allowance is subject to periodic review, if the allowance is reduced, the tax benefits of the carryforwards will be recorded in future operations as a reduction of the Company's income tax expense.

Income (loss) before income taxes and differences between the effective tax rate and U.S. federal income tax rate were:

	Year Ended October 31,		
	1994	1993	1992
Income (loss) before income taxes:			
Domestic	$ (3,240)	$(13,407)	$(3,488)
Foreign	(2,551)	(7,737)	(2,804)
	$ (5,791)	$(21,144)	$(6,292)
The current income tax provision (benefit) consists of the following (in thousands):			
United States federal taxes	$ —	$ —	$ (118)
State and local taxes	—	—	41
Foreign taxes	—	—	(426)
	$ —	$ —	$ (503)
Tax (benefit) at U.S. Statutory Rate:	$ (2,027)	$ (7,400)	$(2,139)
Effect of:			
Losses without a current year tax benefit	2,027	7,400	1,695
Federal tax refund from fiscal 1991	—	—	(118)
State & local taxes, net of U.S. federal income tax benefit	—	—	41
Foreign earnings taxes at different rates	—	—	18
Income tax provision (benefit)	$ —	$ —	$ (503)

THE LAMSON & SESSIONS CO. (DEC)

(Dollars in thousands)	1994	1993	1992
Net sales	$287,645	$259,572	$255,422
Cost of products sold	235,876	221,405	220,901
Gross Margin	51,769	38,167	34,521
Selling, general and administrative expenses	40,840	35,500	33,404
Non-recurring charges			4,602
Operating Earnings (Loss)	10,929	2,667	(3,485)
Interest	(6,673)	(5,784)	(5,815)
Earnings (Loss) From Continuing Operations Before Income Taxes and Effect of Accounting Change	4,256	(3,117)	(9,300)
Income tax benefit			800
Earnings (Loss) From Continuing Operations Before Effect of Accounting Change	4,256	(3,117)	(8,500)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Income Taxes: Beginning in fiscal year 1993, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." There was no cumulative effect nor any impact on the Company's financial position as a result of this adoption. Investment tax credits are recorded using the flow-through method. In previous years, the Company followed the provisions of SFAS No. 96.

Note J: Income Taxes

There was no income tax expense or benefit recorded in 1994 or 1993. The Company provided an income tax benefit of $800,000 in 1992.

The Company has available net operating loss carryforwards totalling approximately $39 million, which expire in the years 1999 to 2009. The Company also has available general business tax credit carryforwards of $2 million, which expire through 2009, and alternative minimum tax credit carryforwards of approximately $1 million, which may be carried forward indefinitely.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

(In thousands)	1994	1993
Deferred tax assets:		
Net operating loss carryforwards	$13,600	$14,600
Other accruals	11,300	9,500
General business and alternative minimum tax credits	2,900	2,900
Postretirement benefits other than pensions	8,300	9,900
	36,100	36,900
Less: valuation allowance	(30,000)	(28,000)
Total net deferred tax assets	6,100	8,900
Deferred tax liabilities:		
Tax in excess of book depreciation	5,900	8,200
Pensions	200	700
Total deferred tax liabilities	6,100	8,900
	$ -0-	$ -0-

The provision for income taxes is different than the amount computed using the applicable statutory federal income tax rate with the difference summarized below:

(In thousands)	1994	1993	1992
Tax expense (benefit) at statutory rates	$(1,995)	$(2,027)	$(6,887)
Adjustment due to:			
Effect of temporary differences			3,738
Alternative minimum tax			1,970
Change in valuation allowance	1,964	1,818	
Other	31	209	379
	$ -0-	$ -0-	$ (800)

In 1994, 1993 and 1992, the Company received income tax refunds of $201,000, $1,626,000 and $1,618,000, respectively.

IRS Settlement Offer

DURACELL INTERNATIONAL INC. (JUN)

(in millions)	1994	1993	1992
Income before extraordinary items, accounting change and income taxes	$320.2	$182.8	$211.0
Provision for income taxes	120.0	58.9	44.2
Income before extraordinary items and accounting change	200.2	123.9	166.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in millions)

2 (In Part): Summary of Significant Accounting Policies

Income Taxes

Income tax expense is based on reported results of operations before extraordinary items, accounting change and income taxes. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred tax balances are adjusted to reflect tax rates, based on current tax laws, that will be in effect in the years in which the temporary differences are expected to reverse. The Company adopted Statement of Financial Accounting Standards ("FAS") No. 109, "Accounting for Income Taxes" effective July 1, 1993. Adoption of FAS No. 109 did not have a material effect on the results of operations.

13. Income Taxes

The provision for income taxes consisted of:

	1994	1993	1992
Current:			
U.S. federal	$ 2.9	$ 1.3	$ .9
State	.8	5.2	2.0
Foreign	44.5	39.7	24.8
	48.2	46.2	27.7
Deferred:			
U.S. federal	72.4	6.7	2.0
State	7.1	2.4	3.6
Foreign	(7.7)	3.6	10.9
	71.8	12.7	16.5
	$120.0	$58.9	$44.2

The domestic and foreign components of income before income taxes were as follows:

	1994	1993	1992
Domestic	$224.6	$101.4	$125.1
Foreign	95.6	81.4	85.9
	$320.2	$182.8	$211.0

Deferred tax assets and liabilities arise from the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes and resulted from:

	1994	1993
Deferred tax assets:		
Operating loss and other carryforwards	$118.5	$292.4
Postretirement benefit obligation	52.2	34.1
Other	56.6	36.4
	227.3	362.9
Deferred tax liabilities:		
Intangibles	298.8	285.2
Property, plant and equipment	57.0	41.1
Other	47.7	34.0
	403.5	360.3
Valuation allowance	(30.1)	(46.9)
	$206.3	$ 44.3

The change in the valuation allowance for deferred tax assets resulted from management's evaluation of the utlization of state and certain foreign operating loss carryforwards.

The Company did not recognize deferred tax benefits for losses incurred in certain countries. It provides for deferred state and foreign income taxes primarily for temporary differences, which result from recording certain transactions in different years for income tax purposes than for financial reporting purposes. A summary of the components included in the provision for deferred income taxes follows:

	1994	1993	1992
Inventory	$(7.5)	$5.1	$1.1
Amortization of identifiable intangibles	81.4	23.8	7.7
Restructuring	.1	(17.1)	6.1
Postretirement benefits	(2.1)	(4.3)	—
Changes in tax laws	(.7)	.8	—
Other	.6	4.4	1.6
	$71.8	$12.7	$16.5

The reconciliation between the actual provision for income taxes and the provision for income taxes at the U.S. federal statutory rate (35% for 1994, 34% for 1993 and 1992) is as follows:

	1994	1993	1992
Income before extraordinary items, accounting change and income taxes	$320.2	$182.8	$211.0
Income tax expense at U.S. federal statutory rate	$112.1	$62.2	$71.7
Tax benefit not currently utilizable	4.0	14.7	6.1
Utilization of net operating loss carryforwards	(5.6)	(42.0)	(41.6)
Goodwill amortization	3.8	3.5	3.9
Changes in tax laws	(.7)	1.0	—
Foreign earnings taxed at different rates	6.7	6.8	3.6
State, local, and withholding tax net of federal income tax benefit	4.5	6.6	4.7
Other	(4.8)	6.1	(4.2)
	$120.0	$58.9	$44.2

Upon adoption of FAS No. 109, $22.4 of previously unrecorded tax benefits arising from stock option exercises were recognized in capital surplus.

On July 8, 1994, the Company received a settlement offer from the U.S. Internal Revenue Service (the "IRS") to resolve all issues arising from the IRS's recently completed audit of the Company's income tax returns for the years ended June 30, 1988, 1989 and 1990. The IRS offer was made pursuant to its Intangibles Settlement Initiative, a program designed by the IRS to allow an early settlement of a large number of pending cases involving acquisitions that included significant intangible assets. Management expects to settle pursuant to the IRS offer. The settlement will reduce the U.S. net operating loss carryforward for tax purposes at June 30, 1994 from $350 to approximately $130 and will impact cash flows principally over three years. Because the proposed settlement relates to deductions claimed in connection with assets acquired by the Company in June 1988, the additional tax that will ultimately result from the proposed settlement has been recorded as an increase to both deferred tax liabilities and goodwill of $105 on the June 30, 1994 balance sheet. The proposed settlement will not have a significant impact on the Company's future earnings.

No provision was made in 1994 for U.S. income taxes on the undistributed earnings of the foreign subsidiaries as it is the Company's intention to utilize those earnings in the foreign operations for an indefinite period of time or repatriate such earnings only when tax effective to do so. At June 30, 1994 undistributed earnings of the foreign subsidiaries amounted to $250. It is not practicable to determine the amount of income or withholding tax that would be payable upon the remittance of those earnings.

At June 30, 1994, the Company had U.S. federal net operating loss carryforwards of approximately $130 for tax purposes which do not begin to expire until 2004. The Company also had U.S. foreign tax credit and alternative minimum tax credit carryforwards for tax purposes of $12 and $5, respectively, at June 30, 1994. The foreign tax credits expire in 1999. There were no U.S. carryforwards for book purposes. Foreign net operating loss carryforwards which expire beginning in 1995 are $55 for tax purposes and $50 for book purposes.

OPERATING LOSS AND TAX CREDIT CARRYFORWARDS

Paragraph 48 of *Statement of Financial Accounting Standards No. 109* states that amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes should be disclosed. Examples of operating loss and tax credit carryforward disclosures follow.

ASTROSYSTEMS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Taxes on Income:

At June 30, 1994, the Company had available net operating loss carryforwards for income tax reporting purposes as follows:

Year Ended June 30,	Net Operating Loss Carry Forwards	Expiring in Year Ending June 30,
1990	$1,302,000	2005
1991	3,252,000	2006
1993	596,000	2008
1994	450,000	2009
	$5,600,000	

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In millions

7 (In Part): Income Taxes

At December 31, 1994, Avon had foreign operating loss carryforwards of $82.9. The loss carryforwards expiring between 1995 and 2003 were $61.8 and the loss carryforwards which do not expire were $21.1. Capital loss carryforwards, which expire between 1997 and 1999 and may be used to offset capital gains, if any, approximated $71.0 at December 31, 1994.

NORTHWESTERN STEEL AND WIRE COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Income Taxes

The provision for income taxes consists of the following (in thousands):

	1994	1993	1992
Federal	$720	$ —	$ —
State	—	—	—
	$720	$ —	$ —

The current provision reflects alternative minimum tax for which a deferred tax asset was not recognized.

The types of temporary differences resulting from the difference between the tax bases of assets and liabilities and their financial reporting amounts that give rise to the deferred tax liabilities and the deferred tax assets and their approximate tax effects are as follows (in thousands):

	1994		1993	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Trade accounts receivable	$ 1,000	$ 390	$ 1,000	$ 390
Inventories	4,080	1,591	2,959	1,154
Intangible assets	3,655	1,425	3,657	1,426
Employee compensation	20,052	7,820	19,965	7,786
Other accrued liabilities	566	221	1,012	395
Retirement costs	57,670	22,491	58,918	22,978
ITC and AMT carryforwards	5,489	5,489	4,769	4,769
Net operating loss	39,032	15,222	52,178	20,349
Subtotal	131,544	54,649	144,458	59,247
Less: valuation allowance	(67,276)	(29,584)	(75,720)	(32,439)
Total deferred tax asset	$ 64,268	$ 25,065	68,738	26,808

The Company has recorded a valuation allowance with respect to the future tax benefits and the net operating loss reflected as a deferred tax asset due to the uncertainty of their ultimate realization.

As of July 31, 1994, the Company had tax net operating loss carryforwards of approximately $39,032,000. These net operating loss carryforwards are available to offset future taxable income, if any, through the indicated years: $14,791,000 in 2006, $20,238,000 in 2007, and $4,003,000 in 2008. The utilization of approximately $35,402,000 of tax loss carryforwards is limited to approximately $1,900,000 each year as a result of an "ownership change" (as defined by Section 382 of the Internal Revenue Code of 1986, as amended), which occurred in fiscal 1993.

The Company also has investment tax credit and alternative minimum tax credit carryforwards of approximately $3,000,000 and $2,489,000. The ability to utilize such investment tax credit carryforwards and $1,769,000 of the alternative minimum tax credit carryforwards are subject to yearly limitations under Internal Revenue Code Section 382.

CATERPILLAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

8 (In Part): Income Taxes

Taxation of a multinational company involves many complex variables, such as differing tax structures from country to country and the effect of U.S. taxation of foreign profits. These complexities do not permit meaningful comparisons of the U.S. and foreign components of profit before taxes and the provision for income taxes. Additionally, current relationships between the U.S. and foreign components are not reliable indicators of such relationships in future periods.

Net operating loss carryforwards were available in various foreign tax jurisdictions at December 31, 1994. The amounts and expiration dates of these carryforwards are as follows:

1997	$ 22
1998	—
1999	29
2000	38
Unlimited	305
Total	$394

With the exception of one foreign taxing jurisdiction where there was sufficient positive evidence to support recognition of net deferred tax assets, a valuation allowance has been recorded for all of the deferred tax assets related to these carryforwards to the extent the assets are not offset with deferred tax liabilities in the same tax jurisdiction. For United States federal tax purposes, qualified deficits of $94, as defined by Internal Revenue Code section 952, are available for an indefinite future period to offset the future profits of certain foreign entities whose earnings are subject to U.S. taxation when earned.

There were no tax credit carryforwards available in the United States at December 31, 1994.

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Income Taxes

At December 31, 1994, the Company has net operating loss carryforwards of approximately $123,000,000 for tax reporting purposes, which will, if unused, expire from 1999 to 2006. The Company has an alternative minimum tax credit carryforward of approximately $1,720,000 as of December 31, 1994, which may be carried forward indefinitely. The Company has investment tax credit carryforwards of approximately $3,298,000 at December 31, 1994 which, if unused, will expire from 1996 to 2001.

The Company also has a research and development tax credit carryforward of approximately $809,000 at December 31, 1994 which will, if unused, expire from 1998 to 2000. The use of the carryforwards is limited to future taxable earnings of the Company. Under federal tax law, certain potential changes in ownership of the Company, which may not be within the Company's control, may operate to restrict future utilization of these carryforwards.

STONE CONTAINER CORPORATION (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Income Taxes

At December 31, 1994, the Company had approximately $404 million of net operating loss carryforwards for U.S. federal tax purposes and, additionally, approximately $167 million of net operating loss carryforwards for Canadian tax purposes. To the extent not utilized, the U.S. federal net operating losses will expire in 2007, 2008 and 2009 and the Canadian net operating losses will expire in 1998, 1999 and 2000. Further, the Company had approximately $900 million of net operating loss carryforwards for U.S. state tax purposes (which represents approximately $59 million of deferred tax assets), which, to the extent not utilized, expire in 1995 through 2009. The Company also had approximately $11 million of alternative minimum tax credit carryforwards for U.S. federal tax purposes which are available indefinitely.

In addition, as a result of certain acquisitions, the Company had, at December 31, 1994, approximately $27 million of pre-acquisition net operating loss carryforwards and approximately $5 million of investment tax credit carryforwards for federal income tax purposes. To the extent not utilized, the carryforwards will expire in the period commencing in the year 1996 and ending in the year 2004.

At December 31, 1994, Bridgewater Paper Company Ltd., a wholly-owned subsidiary of Stone-Consolidated, had approximately $87 million of net operating loss carryforwards for United Kingdom income tax purposes. These losses are available indefinitely.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

Deferred income taxes result from temporary differences in the financial bases and tax bases of assets and liabilities. The types of differences that give rise to significant portions of deferred income tax liabilities or assets are shown in the accompanying table:

CONSOLIDATED DEFERRED INCOME TAX SOURCES *(in millions)*

At December 31	1994	1993
Provisions for expenses and losses	$ 812	$ 867
Accumulated depreciation	(163)	(215)
Long-term contracts in process	81	96
Leasing activities	(583)	(622)
Minimum pension liabilities	403	387
Operating losses and credit carryforwards	1,360	1,505
Postretirement and postemployment benefits	477	476
Other deferred tax assets	184	216
Other deferred tax liabilities	(90)	(115)
Valuation allowance for deferred taxes	(101)	(90)
Deferred income taxes, net asset	$2,380	$2,505

The valuation allowance for deferred taxes represents foreign tax credits not anticipated to be utilized and operating loss carryforwards of certain foreign subsidiaries. The net balance of deferred income taxes is intended to offset income taxes on future taxable income expected to be earned by the Corporation's continuing businesses.

At December 31, 1994, for federal income tax purposes, there were regular tax net operating loss carryforwards of $472 million which expire by the year 2007, $2,472 million which expire by the year 2008, alternative minimum tax operating lost carryforwards of $123 million which expire by the year 2007 and $2,462 million which expire by the year 2008 and alternative minimum tax credit carryforwards of $261 million which have no expiration date. At December 31, 1994, there were $183 million of net operating loss carryforwards attributable to foreign subsidiaries. Of this total, approximately $28 million has no expiration date. The remaining amount will expire not later than 2001. A valuation allowance has been established for $58 million of the deferred tax benefit related to those loss carryforwards for which it is considered likely that the benefit will not be realized.

TAXES ON UNDISTRIBUTED EARNINGS

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

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes

All U.S. federal and state income taxes and foreign taxes are provided currently on the undistributed earnings of foreign subsidiaries and unconsolidated affiliated companies, giving recognition to current tax rates and applicable foreign tax credits. Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). The adoption of SFAS 109 changed the Company's method of accounting for income taxes from the deferred method under Accounting Principles Board Opinion No. 11 to an asset and liability approach. Deferred income taxes are recognized for all temporary differences between the tax and financial reporting bases of the Company's assets and liabilities based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

11. Income Taxes

Income before taxes, minority interest, and cumulative effect of accounting changes in the Consolidated Statements of Income consists of:

(In thousands)	1994	1993	1992
Income before income taxes:			
Domestic	$129,225	$126,521	$120,179
Foreign	19,615	10,732	20,327
	$148,840	$137,253	$140,506
Provision for income taxes:			
Currently payable:			
Federal	$ 37,193	$ 38,053	$ 34,607
Foreign	12,271	8,882	6,906
State	6,697	7,395	6,527
	56,161	54,330	48,040
Deferred federal and state	3,503	4,195	27
Deferred foreign	(128)	(2,190)	993
	$ 59,536	$ 56,335	$ 49,060

Cash payments for income taxes were $49,151,000, $55,431,000 and $50,526,000, for 1994, 1993 and 1992, respectively.

The following is a reconciliation of the normal expected statutory U.S. federal income tax rate to the effective rate as a percentage of income before provision for income taxes, minority interest, and cumulative effect of accounting changes as reported in the financial statements:

	1994	1993	1992
U.S. federal income tax rate	35.0%	35.0%	34.0%
State income taxes, net of federal income tax benefit	3.2	3.9	3.0
Export sales corporation benefit	(1.1)	(1.0)	(1.2)
Foreign losses for which no tax benefit was recorded	2.4	2.1	.5
Difference in effective tax rates on foreign earnings and remittances	(1.4)	(.5)	(2.3)
Nondeductible acquisition costs	2.0	1.0	.5
Other, net	(.1)	.5	.4
Effective income tax rate	40.0%	41.0%	34.9%

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). The cumulative effect of this change in accounting principle increased net income in the first quarter of 1993 by $6,802,000, or $.27 per share. Prior years' financial statements have not been restated.

The tax effects of the primary temporary differences giving rise to the Company's deferred tax assets and liabilities for the years ended December 31, 1994 and 1993 are as follows:

(In thousands)	1994		1993	
Deferred Income Taxes	Asset	Liability	Asset	Liability
Depreciation	$ —	$38,301	$ —	$50,111
Expense accruals	35,027	—	39,413	—
Inventories	5,710	—	5,110	—
Provision for receivables	—	30,863	—	22,144
Postretirement benefits	3,564	—	5,637	—
Deferred revenue	—	1,330	—	7,384
Unrelieved foreign tax losses	20,767	—	19,714	—
Unrealized translation adjustments	6,229	—	6,247	—
Pensions	—	7,461	—	6,502
Investment in United Defense, L.P.	3,783	—	—	—
Other	—	2,152	578	—
Subtotal	75,080	80,107	76,699	86,141
Valuation allowance	(23,215)	—	(25,251)	—
Total Deferred Income Taxes	$ 51,865	$80,107	$ 51,448	$86,141

At December 31, 1994, certain of the Company's foreign subsidiaries had total available net operating loss carryforwards (NOLs) of approximately $54,000,000, of which approximately $11,800,000 will expire by 1998, $9,400,000 will expire by 1999 and the balance may be carried forward indefinitely. Included in the total is $27,900,000 of preacquisition NOLs relating to the MultiServ acquisition.

During 1994 and 1993, $13,500,000 and $8,500,000, respectively, of the MultiServ preacquisition NOLs were utilized by the Company resulting in tax benefits of $3,774,000 and $2,764,000, respectively, which were allocated to reduce goodwill related to the acquisition.

The valuation allowance of $23,215,000 relates principally to cumulative unrelieved foreign tax losses and unrealized translation adjustments which are uncertain as to realizability at December 31, 1994. To the extent that the preacquisition NOLs are utilized in the future and the associated valuation allowance reduced, the tax benefit thereof will be allocated to reduce goodwill related to the acquisition.

The decrease in valuation allowance for 1994 results primarily from the utilization of foreign tax loss carryforwards and the release of valuation allowances in certain foreign jurisdictions based on the Company's reevaluation of the realizability of future benefits resulting from tax planning strategies implemented in 1994. The release of valuation allowances in those foreign jurisdictions was allocated to further reduce goodwill related to the acquisition by $3,367,000.

Overall, the net change in the valuation allowance relates to a decrease from the utilization of preacquisition NOLs, net of increases applicable to the creation of NOLs in 1994 and the effect of foreign currency translation adjustments.

Taxes Not Accrued On Undistributed Earnings

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Taxes on Income: Deferred income taxes reflect the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end. No U.S. deferred income taxes have been provided for the income tax liability which would be incurred on repatriation of the undistributed earnings of the Company's consolidated foreign subsidiaries and the undistributed earnings of Southern Peru Copper Corporation ("SPCC") prior to the adoption of SFAS 109 because the Company intends indefinitely to reinvest these earnings outside the United States. General business credits are accounted for by the flow-through method.

3 (In Part): Taxes on Income

U.S. deferred tax liabilities have not been provided on approximately $251.9 million in 1994 ($267.0 million in 1993 and $167.0 million in 1992) of undistributed earnings of foreign subsidiaries and nonconsolidated associated companies more than 50% owned, because assets representing those earnings are permanently invested. It is not practicable to determine the amount of income taxes that would be payable upon remittance of assets that represents those earnings. The amount of foreign withholding taxes that would be payable upon remittance of assets that represent those earnings would be approximately $.3 million in 1994 ($2.8 million in 1993 and $3.4 million in 1992).

BROWN-FORMAN CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Taxes on Income

Deferred tax assets and liabilities for 1994 are composed of the following (in thousands):

	Deferred Tax	
	Assets	Liabilities
Postretirement and other benefits	$30,527	—
Various accrued liabilities and other	31,400	—
Intercompany transactions	—	$112,116
Depreciation	—	22,068
Undistributed foreign earnings	—	17,318
Pension plans	—	13,857
Other	—	805
	$61,927	$166,164

The 1993 deferred provision arose principally from $3,473,000 related to undistributed foreign earnings, $677,000 related to deferred income, partially offset by $2,396,000 related to intercompany transactions. The 1992 deferred provision arose principally from $3,284,000 related to undistributed foreign earnings, $2,196,000 related to deferred income, and $3,671,000 related to intercompany transactions. Deferred income taxes were not provided on certain undistributed earnings ($58,854,000 at April 30, 1994) of certain foreign subsidiaries because such undistributed earnings are expected to be reinvested indefinitely overseas. If these amounts were not considered permanently reinvested, additional deferred taxes of approximately $20,128,000 would have been provided.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

Significant components of the corporation's deferred income tax assets and liabilities are as follows (in thousands):

	1994	1993
Deferred tax assets		
Employee benefits, compensation, and insurance	$ 8,589	$ 9,525
Allowance for doubtful accounts	3,484	3,617
Inventory capitalization	1,940	1,746
Discontinued operations, restructuring, and store closing accruals	6,669	38,911
Countervailing duty accruals	—	3,336
Other postretirement and postemployment benefit plans	5,991	7,302
Tax loss carryforward	8,631	—
Other	6,856	8,544
Total deferred tax asset	42,160	72,981
Deferred tax liabilities		
Excess depreciation	(9,633)	(8,122)
Retirement plans	(11,481)	(10,165)
LIFO inventory valuation	(8,807)	(11,417)
Other	(1,623)	(2,655)
Total deferred tax liabilities	(31,544)	(32,359)
Net deferred income tax asset	$10,616	$40,622

At January 28, 1995, the corporation has net operating loss carryforwards for federal income tax purposes of $24.7 million which are available to offset future federal taxable income through fiscal 2009.

No valuation allowance has been provided for these deferred tax assets at January 28, 1995 and January 29, 1994 as full realization of these assets is expected.

As of Janury 28, 1995, there is approximately $33.0 million of accumulated unremitted earnings from the corporation's Canadian subsidiary and approximately $55.0 million 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 $15.0 million would be due.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

Provision has not been made for U.S. or additional foreign taxes on approximately $78 million of undistributed earnings of foreign subsidiaries, as those earnings are considered to be permanently reinvested. Such earnings would become taxable upon the sale or liquidation of these foreign subsidiaries or upon the remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such earnings. Upon remittance, certain foreign countries impose withholding taxes that are then available, subject to certain limitations, for use as credits against the company's U.S. tax liability, if any. The amount of withholding tax that would be payable upon remittance of the entire amount of undistributed earnings would approximate $2.5 million.

GTI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
in thousands of dollars

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

Income Taxes—The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109) in 1992. This statement requires an asset and liability approach to account for income taxes. The adoption of SFAS 109 has not had a material effect on the Company's financial statements. The Company provides deferred income taxes for temporary differences that will result in taxable or deductible amounts in future years based on the reporting of certain costs in different periods for financial statement and income tax purposes. The Company does not provide U.S. Federal income taxes on undistributed earnings of foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations. Accumulated, undistributed earnings of foreign subsidiaries on which U.S. Federal income taxes have not been provided are approximately $37,061, which would result in U.S. federal income taxes, net of foreign tax credits, of approximately $10,323 at December 31, 1994.

INTERFACE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Taxes on Income

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $58.7 million at January 1, 1995. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for United States federal and state income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both United States income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred United States income tax liability is not practicable because of the complexities associated with its hypothetical calculation. Withholding taxes of approximately $2.9 million would be payable upon remittance of all previously unremitted earnings at January 1, 1995.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars)

Note 8 (In Part): Income Taxes

Deferred tax assets (liabilities) were comprised of the following:

April 30,	1994	1993
Deferred tax assets:		
Inventory (Intercompany profit in inventory and excess of tax over book valuation)	$56,375	$48,579
Deferred income	5,250	10,841
Accrued liabilities	40,133	29,416
Other	10,594	10,306
Total deferred tax assets	112,352	99,142
Deferred tax liabilities:		
Intangible assets	(17,823)	(10,582)
Undistributed earnings of subsidiaries	(8,846)	(10,521)
Accumulated depreciation	(14,819)	(14,519)
Other	(6,970)	(128)
Total deferred tax liabilities	(48,458)	(35,750)
Net deferred tax assets	$63,894	$63,392

The company's effective income tax rate varied from the U.S. federal statutory tax rate as follows:

Years ended April 30,	1994	1993	1992
U.S. federal statutory tax rate	35.0%	34.0%	34.0%
Increase (decrease) in tax rate resulting from:			
U.S. state taxes, net of federal tax benefit	2.5	2.7	2.7
Tax benefits from operations in Puerto Rico	(8.2)	(8.5)	(8.5)
Non-U.S. taxes	1.7	1.9	2.7
Nondeductible expenses (primarily amortization)	2.1	2.5	2.1
Other, net	(.1)	(.1)	.5
Effective tax rate	33.0%	32.5%	33.5%

Taxes are provided on undistributed earnings of non-U.S. and Puerto Rican subsidiaries to the extent such earnings are not permanently reinvested. Current U.S. tax regulations provide that earnings of the company's manufacturing subsidiaries in Puerto Rico may be repatriated tax free; however, the Commonwealth of Puerto Rico will assess a tax of up to 10% in the event of repatriation of earnings prior to liquidation. The company has provided for the anticipated tax attributable to earnings intended for dividend repatriation. At April 30, 1994, earnings permanently reinvested in subsidiaries outside the United States were $108,491. It is not practical to estimate the amount of taxes that might be payable on these foreign earnings.

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long-term contracts are discussed in *Accounting Research Bulletin 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-five 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			
	1994	**1993**	**1992**	**1991**
Percentage-of-completion	90	91	94	92
Units-of-delivery	33	27	35	36
Completed contract	2	4	5	8
Not determinable	1	1	1	2

BMC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Contract Accounting—The Company accounts for long-term equipment construction contracts under the percentage-of-completion method, generally measured on the attainment of specific contract milestones. Estimated contract earnings are reviewed periodically as work progresses. In the event such estimates indicate a loss would be incurred on the contract, the estimated amount of such loss would be recognized in the period the estimated loss was determined.

CRANE CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Revenues—Revenues are generally recorded when title passes to the customer. Revenues on long-term contracts are recognized under the percentage-of-completion method of accounting and are measured principally on either a cost-to-cost or a unit of delivery basis. These contracts represent approximately 1% of sales this year. Accounts receivable include unreimbursed costs and accrued profits to be billed of $4,893,000, and $4,615,000 at December 31, 1994 and 1993, respectively.

DRESSER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition

Revenues and earnings from long-term construction contracts are recognized on the percentage-of-completion method, measured generally on a cost incurred basis. Estimated contract costs include allowances for completion risks, process and schedule guarantees and warranties that generally are not finally determinable until the latter stages of a contract. Estimated contract earnings are reviewed and revised periodically as the work progesses. Estimated losses are charged against earnings in the period in which such losses are identified. Revenues from sale of products other than from long-term construction contracts are recorded when the products are shipped or the services performed.

Note F—Long-Term Contracts

Consistent with industry practice, service revenues and cost of services include the value of materials, equipment and labor contracts furnished by customers and for which the company is responsible for the ultimate acceptability of performance of the project based on such material, equipment and labor. The value of such items was $138.7 million, $112.4 million and $114.0 million for the years ended October 31, 1994, 1993 and 1992, respectively.

Amounts billed in excess of revenues recognized to date are included in current liabilities under contract advances.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Major Accounting Policies (In Part)

Engineering and Construction Contracts

The company recognizes engineering and construction contract revenues using the percentage-of-completion method, based primarily on contract costs incurred to date compared with total estimated contract costs. Customer furnished materials, labor and equipment and in certain cases subcontractor materials, labor and equipment are included in revenue and cost of revenue when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are segmented between types of services, such as engineering and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts. The company anticipates that substantially all incurred costs associated with contract work in progress at October 31, 1994 will be billed and collected in 1995.

LABARGE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Recognition

Sales and related costs of sales are recognized as specific contract terms are fulfilled under the percentage-of-completion method (usually when units are shipped, the units-of-delivery method). The percentage-of-completion method gives effect to the most recent contract value and estimates of costs at completion. When appropriate, contract prices are adjusted for increased scope and other changes ordered or caused by the customer.

Since some contracts extend over a long period of time, revisions in cost and contract price during the progress of work have the effect of adjusting current period earnings applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss.

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition: The Company uses the percentage-of-completion method to recognize revenues and costs associated with most long-term contracts. For contracts involving certain technologies, profits and revenues are deferred until technological feasibility is established or customer acceptance is obtained. For other product sales, revenue is recognized at the time of shipment, and reserves are established for price protection and cooperative marketing programs with distributors.

REFLECTONE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition—For financial reporting purposes, long-term contract revenue is recognized using the percentage of completion method of accounting, under which the sales value of performance is recognized on the basis of the percentage each contract's cost to date bears to the total estimated cost. The recognition of profit, based upon anticipated final program costs, is made only after evaluation of the program status at critical program milestones. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. Revisions in projected costs and earnings on contracts which extend beyond one year are accounted for as changes in estimates. All other revenue is recorded on the basis of shipments of products or performance of services.

The Company derives a significant portion of its revenues from fixed price, long-term government contracts on a prime contractor and subcontractor basis. Under certain government contracts, revenues may be increased or decreased in accordance with cost or performance incentive provisions. Such fee awards or penalties are included in operations at the time they can be reasonably determined. When appropriate, increased contract values are assumed based on expected adjustments of contract prices for increased scope ordered or caused by the customer. Costs incurred under contracts are subject to routine audit by government audit agencies.

THERMO ELECTRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Revenue Recognition

For the majority of its operations, the Company recognizes revenues upon shipment of its product or upon completion of services it renders. The Company accrues estimated warranty and installation costs at the time of shipment. Revenues and profits on substantially all contracts are recognized using the percentage-of-completion method. Revenues recorded under the percentage-of-completion method were $175,926,000 in 1994, $176,627,000 in 1993, and $186,407,000 in 1992. The percentage of completion is determined by relating either the actual costs or actual labor incurred to date to management's estimate of total costs or total labor, respectively, to be incurred on each contract. If a loss is indicated on any contract in process, a provision is made currently for the entire loss. The Company's contracts generally provide for billing of customers upon the attainment of certain milestones specified in each contract. Revenues earned on contracts in process in excess of billings are classified as "Unbilled contract costs and fees" in the accompanying balance sheet. There are no significant amounts included in the accompanying balance sheet that are not expected to be recovered from existing contracts at current contract values, or that are not expected to be collected within one year, including amounts that are billed but not paid under retainage provisions.

In August 1993, the Company agreed, in exchange for a cash settlement, to terminate a power sales agreement between a subsidiary of the Company and a utility. The power sales agreement required the utility to purchase output of a cogeneration facility that had been under development. Under the termination agreement, the Company received $12.6 million through 1994, with subsequent payments of $5.4 million to be made through 1997. The Company will be obligated to return $8.2 million of this settlement if the Company elects to proceed with the facility and it achieves commercial operation before January 1, 2000. Accordingly, the Company has deferred recognition of $8.2 million of revenues, pending final determination of the project's status. During 1993, the Company recorded revenues of $9.8 million and segment income of $5.4 million from the termination of the power sales agreement.

THIOKOL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Revenue Recognition Under Long-Term Contracts: Propulsion systems segment sales encompass propulsion and ordnance products and services performed principally under contracts and sub-contracts with various U.S. Government agencies and aerospace prime contractors. Sales under cost-type contracts are recognized as costs are incurred and include a portion of the total estimated earnings to be realized in the ratio that costs incurred relate to estimated total costs. Sales under fixed-price-type contracts are recognized generally when deliveries are made or upon completion of specified tasks. Cost or performance incentives are incorporated into certain contracts and are generally recognized when awards are earned, or when realization is reasonably assured and amounts can be estimated. Adjustments in estimates which can affect both revenues and earnings are made in the period in which the information necessary to make the adjustment becomes available. Provisions for estimated losses on contracts are recorded when identified.

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 1994, 53 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.

Business Segment Disposals

DENTSPLY INTERNATIONAL INC. (DEC)

	1994	1993	1992
Income from continuing operations before income taxes	$ 91,661,581	$ 51,341,937	$ 55,703,590
Provision for income taxes	37,517,774	26,197,085	24,416,475
Income from continuing operations	54,143,807	25,144,852	31,287,115
Discontinued operations:			
Income from the operation of discontinued Medical business (net of income taxes of $591,000 in 1994; $1,552,000 in 1993; and $1,745,000 in 1992)	1,310,636	2,924,954	2,987,972
Gain on disposal of Medical business, including provision of $498,000 for operating losses during phase-out period (net of income taxes of $5,518,000)	6,543,336	—	—
Income from discontinued operations	7,853,972	2,924,954	2,987,972
Income before extraordinary item	61,997,779	28,069,806	34,275,087

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Discontinued Operations

On October 13, 1994, the Company announced its strategic decision to discontinue the operations comprising its medical business. The medical operations include Eureka X-Ray Tube Corp. (Eureka), GENDEX Medical and CMW business units which manufacture medical x-ray tubes, medical x-ray systems and orthopedic bone cement, respectively. The net assets of CMW were sold on November 22, 1994, and substantially all of the net assets of Eureka were sold in two transactions on November 23 and December 16, 1994, for a total $44,544,000. The $12,061,000 gain on disposal, before applicable income taxes, includes $28,000 of operating losses incurred in the fourth quarter of 1994 and a provision of $498,000 for estimated operating losses to be incurred during the phase-out period of the GENDEX Medical business unit.

Sales from these operations were $48,558,000, $48,793,000 and $31,453,000 for the years ended December 31, 1994, 1993 and 1992, respectively. Certain expenses have been allocated to discontinued operations, including interest expense, which was allocated based on the ratio of net assets discontinued to the total net assets of the consolidated entity.

The components of net assets of discontinued operatins included in the Consolidated Balance Sheets at December 31, 1994 and 1993, follow:

December 31,	1994	1993
Accounts and notes receivable — trade, net	$ 4,650,218	$ 7,052,343
Inventories	6,312,262	11,505,199
Deferred income taxes	4,130,001	—
Prepaid expenses and other current assets	1,847,660	603,862
Property, plant and equipment, net	3,898,937	10,575,064
Other noncurrent assets, net	1,297,847	1,344,448
Costs in excess of fair value of net assets acquired, net	3,448,491	6,774,880
Accounts payable	(2,648,885)	(4,379,928)
Accrued liabilities	(8,622,933)	(2,756,248)
Other liabilities	(6,681,313)	—
	$ 7,632,285	$ 30,719,620

The sale of the remaining operations comprising the medical business is expected to be completed in 1995.

ELCOR CORPORATION (JUN)

($ in thousands)	1994	1993	1992
Income from Continuing Operations Before Income Taxes	$ 24,940	$ 24,838	$ 9,399
Provision for income taxes	9,369	9,472	3,342
Income from Continuing Operations	15,571	15,366	6,057
Discontinued Operations			
Operating loss, net of applicable tax benefits of $760, $311 and $945	(1,412)	(606)	(1,713)
Loss on disposal, net of applicable tax benefit of $44	(82)	—	—
Loss from Discontinued Operations	(1,494)	(606)	(1,713)
Income Before Extraordinary Items and Cumulative Effect of Change in Accounting Principle	14,077	14,760	4,344

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations

On March 31, 1994, the Company completed the sale of substantially all operating assets of its solid waste baler manufacturing subsidiary. The assets sold and assets held for disposition, net of applicable liabilities, of the discontinued business have been reclassified as either current or noncurrent assets in the Consolidated Balance Sheet in both 1994 and 1993. The Company retained the real property of the subsidiary, which is being held for sale. Revenues for the discontinued company for the nine-month period ended March 31, 1994 were $5,858,000 compared to $11,543,000 in fiscal year 1993 and $10,800,000 in fiscal year 1992. At June 30, 1994, noncurrent assets of discontinued operations include $536,000 of assets relating to the discontinued solid waste baler manufacturing business and $6,694,000 relating to previously discontinued business segments. At June 30, 1993, the comparable balances were $1,197,000 for the discontinued solid waste baler manufacturing business and $6,899,000 for previously discontinued segments.

SCI SYSTEMS, INC. (JUN)

(In thousands of dollars)	1994	1993	1992
Income from Continuing Operations Before Income Taxes	$ 46,916	$ 42,883	$ 6,802
Income taxes	16,980	12,268	(2,259)
Income from Continuing Operations	29,936	30,615	9,061
Discontinued Operations—Note J:			
Loss from operations (net of income tax benefit of $1,480 in 1994, $1,420 in 1993 and $551 in 1992)	(4,283)	(4,056)	(5,236)
Loss on disposal (net of income tax benefit of $4,358 in 1994)	(4,492)	–0–	–0–
Loss from Discontinued Operations	(8,775)	(4,056)	(5,236)
Net Income	$ 21,161	$ 26,559	$ 3,825

NOTES TO FINANCIAL STATEMENTS

Note J—Discontinued Operations

During March 1994, the Company adopted plans for sale of certain business units. These units generally manufacture and sell proprietary products to consumer and commercial end-users. These business units are accounted for as discontinued operations, and accordingly, their operations are segregated in the accompanying income statements. Net sales, operating costs and expenses, other income and expense, and income taxes for fiscal years 1993 and 1992 have been reclassified for amounts associated with the discontinued units. The actual fourth quarter operating losses for the discontinued operations approximated amounts estimated for in the disposal loss accrued for at the measurement date.

Sales, related losses and income tax benefits associated with the discontinued business units for the last three fiscal years were as follows:

(In thousands of dollars)	1994	1993	1992
Sales	$ 49,370	$ 24,985	$ 6,906
Loss from operations before income tax benefit	$ (5,763)	$ (5,476)	$ (5,787)
Income tax benefit	1,480	1,420	551
Loss from operations	(4,283)	(4,056)	(5,236)
Loss on disposal before income tax benefit:			
Estimated unrecovered costs through disposal date	(4,335)	-0-	-0-
Goodwill adjustment	(2,715)	-0-	-0-
Asset valuation adjustment	(1,800)	-0-	-0-
	(8,850)	-0-	-0-
Income tax benefit	4,358	-0-	-0-
Loss on disposal, recognized in third quarter	(4,492)	-0-	-0-
Total loss on discontinued operations	$ (8,775)	$ (4,056)	$ (5,236)

The effective income tax benefit rate for discontinued operations differs from the U.S. statutory tax rate primarily as a result of recognizing for book purposes net operating loss carryforwards associated with the discontinued operations.

On August 26, 1994, the Company entered into an agreement for the sale of Cambridge Computer, Ltd. (a substantial part of the discontinued operations) for approximately $7,000,000 plus future royalties.

THOMAS & BETTS CORPORATION (DEC)

in thousands	1994	1993	1992
Earnings from continuing operations before income taxes	$ 494	$59,942	$52,983
Income taxes (benefit)	(1,393)	16,353	12,403
Earnings from continuing operations before cumulative effect of change in accounting for income taxes	1,887	43,589	40,580
Earnings from discontinued operations, net of income tax expense of $4,628 for 1994, $7,180 for 1993 and $6,429 for 1992	7,350	11,322	10,343
Gain on sale of discontinued operations, net of income tax expense of $40,492	58,583	—	—
Earnings before cumulative effect of change in accounting for income taxes	67,820	54,911	50,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Discontinued Operations

In July 1994, the Corporation sold its multilayer ceramic chip capacitor subsidiary, Vitramon, Incorporated, for $184 million in cash ($145 million after tax payments) and realized a $58.6 million gain after tax.

Summary operating results of discontinued operations, excluding the above gain, are as follows:

In thousands	1994	1993	1992
Net sales	$73,043	$118,394	$111,528
Gross profit	22,947	36,882	33,904
Earnings before income taxes	11,978	18,502	16,772
Income taxes	4,628	7,180	6,429
Net earnings from discontinued operations	$ 7,350	$ 11,322	$ 10,343

The net assets of Vitramon are included in the January 2, 1994 Consolidated Balance Sheet and are summarized as follows:

In thousands	
Current assets	$ 37,354
Property, plant and equipment — net	42,799
Other assets	945
Current liabilities	(10,710)
Deferred income taxes	(1,376)
Other long-term liabilities	(1,233)
Net assets	$ 67,779

Adjustment Of Loss Reported In Prior Period

COHERENT, INC. (SEP)

(in thousands)	1994	1993	1992
Income from Continuing Operations Before Income Taxes	$ 16,750	$ 14,116	$ 8,694
Provision for Income Taxes	6,449	4,797	3,467
Income from Continuing Operations	10,301	9,319	5,227
Discontinued Operations:			
Loss from discontinued operations (net of tax benefits of $317 and $658 for 1993 and 1992, respectively)	—	(1,592)	(2,583)
Gain (loss) on disposal of discontinued operations (net of tax $715 and tax benefits of $4,030, respectively)	1,154	(2,817)	—
Gain (Loss) from Discontinued Operations	1,154	(4,409)	(2,583)
Income Before Cumulative Effect of Change in Accounting for Income Taxes	11,455	4,910	2,644

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Discontinued Operations

During fiscal 1993, the Company disposed of its Industrial segment. The sale was recorded in three separate transactions. Effective June 26, 1993, certain assets, liabilities and the business of Coherent General, Inc., a manufacturer and developer of industrial laser products primarily for the automotive, electronics, aerospace and consumer industries, located in Sturbridge, Massachusetts were sold to Transfer Technology Group plc (TTG) for cash of $500,000 and a note of $3,722,000 plus imputed interest of 7.5%, due in August 1994. During the current fiscal year, the Company refinanced the remaining balance of the note ($2,000,000), and included the purchase of additional inventory by TTG of $600,000. The new note of $2,600,000 plus imputed interest of 6.73% is due and payable in August 1995. The Company has an additional note receivable of $444,000 from TTG for purchased inventory (March 1994) at 4%, due and payable in equal monthly installments until November 1994. The balance of these notes receivable at October 1, 1994 was $2,827,000 (see Note 4). Also effective June 26, 1992, the net assets of the industrial business of the Company's subsidiary in Hull, England were sold to Lumonics Ltd. for $4,281,000, including $500,000 of minimum future royalties. Effective August 31, 1993, the Company substantially completed its disposition of the operating assets of the Industrial segment when it sold the net assets of its Coherent General subsidiary in Japan to Eimac Co., Ltd. for $132,000.

The loss on disposition of the segment has been accounted for as discontinued operations and prior years financial statement have been restated to reflect the discontinuation of the Industrial segment. Included in other current liabilities at September 25, 1993 is an accrual of $3,337,000 for costs directly associated with disposing of the Industrial segment. During fiscal 1994, the Company substantially completed its plan of disposition which resulted in a net gain of $1.2 million from the reversal of inventory valuation allowances and certain accruals in exccess of amounts required. Revenues of the Industrial segment for 1993 and 1992 were $14,269,000 and $23,214,000, respectively.

Net assets of discontinued operations at October 1, 1994 and September 25, 1993 consisted of the Company's former manufacturing facility in Sturbridge, Massachusetts which the Company is leasing to TTG while it is held for sale (classified as assets held for sale in the Consolidated Balance Sheets). In addition, net assets of discontinued operations at September 25, 1993 included $137,000 of accounts receivable (included in prepaid expenses and other assets in the Consolidated Balance Sheets).

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 operations. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Cumulative effect of accounting change	81	216	221	47
Minority interest	75	66	60	64
Equity in earnings or losses of investees	37	40	36	36
Other	8	13	9	9

BRIGGS & STRATTON CORPORATION (JUN)

	1994	1993	1992
Income Before Provision for Income Taxes	$ 169,721,000	$114,405,000	$ 80,203,000
Provision for Income Taxes	67,240,000	44,060,000	28,700,000
Income Before Cumulative Effect of Accounting Changes	102,481,000	70,345,000	51,503,000
Cumulative Effect of Accounting Changes for:			
Postretirement Health Care, Net of Income Taxes of $25,722,000	(40,232,000)	—	—
Postemployment Benefits, Net of Income Taxes of $430,000	(672,000)	—	—
Deferred Income Taxes	8,346,000	—	—
	(32,558,000)	—	—
Net Income	$ 69,923,000	$ 70,345,000	$ 51,503,000

EMERSON ELECTRIC CO. (SEP)

(Dollars in millions except per share amounts)	1994	1993	1992
Income before income taxes and cumulative effect of change in accounting principle	$ 1,427.8	$ 1,112.0	$ 1,043.9
Income taxes	523.4	403.9	381.0
Income before cumulative effect of change in accounting principle	904.4	708.1	662.9
Cumulative effect of change in accounting for postretirement benefits ($190.0 less income tax benefit of $74.1); $.52 per common share	(115.9)	—	—
Net earnings	$ 788.5	708.1	662.9

HARSCO CORPORATION (DEC)

(In thousands)	1994	1993	1992
Income before taxes, minority interest, and cumulative effect of accounting changes	$148,840	$137,253	$140,506
Provision for income taxes	59,536	56,335	49,060
Income before minority interest and cumulative effect of accounting changes	89,304	80,918	91,446
Minority interest	2,751	102	(70)
Income before cumulative effect of accounting changes	86,553	80,816	91,516
Cumulative effect of accounting changes	—	6,802	(7,184)
Net income	$ 86,553	$ 87,618	$ 84,332

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. As shown in Table 3-17, the only transactions classified as extraordinary items in 1994 by the survey companies were debt extinguishments-5 at a gain, 54 at a loss. *APB Opinion No. 11,* which has been superseded by *SFAS No. 109* effective for fiscal years beginning after December 15, 1992, specified that realized loss carryforwards be reported as extraordinary items. *SFAS No. 109* requires that realized loss carryforwards be classified as a component of income tax expense.

Examples of extraordinary items follow.

TABLE 3-17: EXTRAORDINARY ITEMS

	1994	**1993**	**1992**	**1991**
Nature				
Debt extinguishments	59	79	60	33
Operating loss carryforwards	—	9	17	20
Litigation settlements	—	1	2	1
Other	—	6	5	4
Total Extraordinary Items	**59**	**95**	**84**	**58**
Number of Companies				
Presenting extraordinary items	59	91	81	55
Not presenting extraordinary items	541	509	519	545
Total Companies	**600**	**600**	**600**	**600**

Debt Extinguishments

ALUMINUM COMPANY OF AMERICA (DEC)

(in millions)	1994	1993	1992
Income before extraordinary loss and cumulative effect of accounting changes	$443.1	$4.8	$ 22.4
Extraordinary loss on debt prepayments, net of tax benefits of $40.4 in 1994 and $25.8 in 1992 (D)	(67.9)	—	(50.2)
Cumulative effect of accounting changes for:			
Postretirement benefits, net of $667.2 tax benefit	—	—	(1,166.4)
Income taxes	—	—	55.0
Net Income (Loss)	$375.2	$4.8	$(1,139.2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in millions)

D (In part): Special and Extraordinary Items

The extraordinary losses in 1994 and 1992 were from early redemption of 7% debentures due 2011 and 1996, respectively, that carried effective interest rates of 14.7%.

BAKER HUGHES INCORPORATED (SEP)

(In thousands, except per share amounts)	1994	1993	1992
Income before extraordinary loss and cumulative effect of accounting changes	$131,142	$ 58,856	$ 5,031
Extraordinary loss (net of $23,865 income tax benefit)	(44,320)		
Cumulative effect of accounting changes:			
Income taxes	25,455		
Postretirement benefits other than pensions (net of $37,488 income tax benefit)	(69,620)		
Accounting changes—net	(44,165)		
Net income	$ 42,657	$ 58,856	$ 5,031

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. (In part): Indebtedness

In May through September 1994, the Company repurchased or defeased all of its outstanding 6% discount debentures for $205.5 million and generated an extraordinary loss of $44.3 million ($.31 per share), net of a tax benefit of $23.9 million. At September 30, 1994, $43.7 million of the debentures have been considered extinguished through defeasance.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

(In Thousands Except for Per Share Amounts)	1994	1993	1992
Income before extraordinary item	$283,973	$197,440	$175,607
Extraordinary item—loss on early retirement of debt, net of income tax benefit of $2,833	5,263	—	—
Net income	$278,710	$197,440	$175,607

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Long-Term Debt

8½% Sinking Fund Debentures. In April 1994, the Company called for redemption of its $100 million 8½% Sinking Fund Debentures due 2017 which were originally issued in January 1987. As a result, the Company recorded an after-tax loss of $5,263,000, which has been reflected in the Company's consolidated statement of income as an extraordinary item.

ORYX ENERGY COMPANY (DEC)

(Millions of Dollars)	1994	1993	1992
Income (loss) before extraordinary item and cumulative effect of accounting change	$ (65)	$ (93)	$ 73
Extraordinary item (Note 11)	(12)	(7)	—
Cumulative effect of accounting change (Note 7)	(948)	—	(59)
Net Income (Loss)	(1,025)	(100)	14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Long-Term Debt

During 1994, Standard & Poor's downgraded the Company's senior unsecured debt from BBB- to BB, subordinated debt from BB+ to B+ and commercial paper to B from A–3. Subsequently, the holders of the Company's senior ESOP notes (approximately $100 million principal amount outstanding) exercised their right to require the Company to repay the notes in full at par plus a make-whole premium tied to prevailing rates of interest on U.S. Treasury obligations. As a result of the downgrade, the Company recognized a $12 million (net of $5 million of tax) extraordinary loss associated with the notes which have been paid in full subsequent to year end.

SHAW INDUSTRIES, INC. (DEC)

	1994	1993	1992
Income Before Extraordinary Item	$130,389,000	$117,636,000	$78,695,000
Extraordinary Loss on Early Extinguishment of Debt (net of income tax benefit of $2,150,000)	(3,363,000)	—	—
Net Income	$127,026,000	$117,636,000	$78,695,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In part): Indebtedness

The Company elected to exercise its option to prepay the 9.48 percent, 9.31 percent and 10.49 percent term notes payable at June 30, 1994. An extraordinary charge of $3,363,000 (net of income tax benefit of $2,150,000) was incurred as a result of the early extinguishment of the notes payable.

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—1994

	Additional shares Issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation......	6	15	290	22
Included in fully diluted per share calculation...........	42	44	16	2
No dilution............	25	43	127	8
Not disclosed..........	21	33	138	5
No additional shares issuable.............	506	465	29	563
Total Companies	**600**	**600**	**600**	**600**

ANALOGIC CORPORATION (JUL)

(000 omitted, except share data)	1994	1993	1992
Net income	$14,657	$12,445	$9,910
Earnings per common and common equivalent share	$ 1.18	$ 1.01	$ .78

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

(h) Earnings per share:

Earnings per common and common equivalent share is based upon the weighted average of common and common equivalent shares outstanding during the year. Primary and fully diluted earnings per share are the same. The number of common and common equivalent shares utilized in the per share computations were 12,433,821, 12,301,007 and 12,715,043 in fiscal 1994, 1993 and 1992, respectively.

BLOUNT, INC. (FEB)

	1994	1993	1992
Net income	$14,080	$7,239	$683
Income (loss) per share of common stock:			
Income (loss) from continuing operations before extraordinary gain (loss) and cumulative effect of accounting changes	$1.91	.98	(.35)
Discontinued operations	(.81)	(.38)	(.09)
Income (loss) before extraordinary gain (loss) and cumulative effect of accounting changes	1.10	.60	(.44)
Extraordinary gain (loss)	.01	(.01)	
Cumulative effect of accounting changes			.50
Net income	$1.11	.59	.06
Weighted average number of common shares outstanding	12,730,733	12,283,592	11,958,557

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Net income per common share:

Net income per common share is based on the weighted average number of common and common equivalent shares (stock options and performance shares) outstanding in each period.

BOISE CASCADE CORPORATION (DEC)

	1994	1993	1992
Net loss...................	$(62,610)	$(77,140)	$(227,480)
Net loss per common share (Note 1)			
Primary			
Loss before cumulative effect of accounting change................	$ (3,08)	$(3.17)	$(4.79)
Cumulative effect of accounting change, net of tax..............	—	—	(1.94)
Net loss per share	$ (3.08)	$(3.17)	$(6.73)
Fully diluted			
Loss before cumulative effect of accounting change................	$ (3.08)	$(3.17)	$(4.79)
Cumulative effect of accounting change, net of tax..............	—	—	(1.94)
Net loss per share.........	$ (3.08)	$(3.17)	$(6.73)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Net Loss Per Common Share. The computation of fully diluted net loss per share was antidilutive in each of the periods presented; therefore, the amounts reported for primary and fully diluted loss are the same.

Net loss per common share was determined by dividing net loss, as adjusted, by applicable shares outstanding. The loss was adjusted by the aggregate amount of dividends on the Company's preferred stock. The dividend attributable to the Company's Series D convertible preferred stock held by the Company's ESOP (employee stock ownership plan) is net of a tax benefit. Preferred dividends for the year ended December 31, 1994, were $54,586,000, compared with $43,076,000 and $27,711,000 for the years ended December 31, 1993 and 1992. The average common shares outstanding at December 31, 1994, were 38,110,000. For the same period in 1993 and 1992, the average shares outstanding were 37,958,000 and 37,942,000. Primary average shares include only common shares outstanding.

On January 15, 1995, the Company's Series E preferred stock converted to 8,625,000 shares of common stock (see Note 6). Had the conversion occurred on January 1, 1994, the reported net loss per common share for the year ended December 31, 1994, would have decreased 90¢ to $2.18.

CARPENTER TECHNOLOGY CORPORATION (JUN)

(in thousands, except per share data)	1994	1993	1992
Net income (loss)	$36,250	$(48,142)	$13,646
Primary earnings (loss) per common share:			
Income before extraordinary charges and cumulative effect of changes in accounting principles	$ 4.55	$3.11	$ 1.63
Extraordinary charges	(.25)	—	(.15)
Cumulative effect of changes in accounting principles	—	(9.32)	—
Earnings (loss) per common share	$ 4.30	$(6.21)	$ 1.48
Weighted average common shares outstanding	8,065	8,009	8,342
Fully-diluted earnings (loss) per common share:			
Income before extraordinary charges and cumulative effect of changes in accounting principles	$ 4.40	$3.03	$ 1.63
Extraordinary charges	(.24)	—	(.15)
Cumulative effect of changes in accounting principles	—	(8.80)	—
Earnings (loss) per common share	$ 4.16	$(5.77)	$ 1.48
Weighted average common shares outstanding	8,543	8,500	8,721

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings per Common Share

Primary earnings per common share are computed by dividing net income (less preferred dividends net of tax benefits) by the weighted average number of common shares and common share equivalents outstanding during the period. On a fully-diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of the convertible preferred stock.

FEDERAL-MOGUL CORPORATION (DEC)

(Millions of Dollars, Except Per Share Amounts)	1994	1993	1992
Net Earnings (Loss)	$ 63.3	$ 40.1	$ (83.7)
Earnings (loss) Per Common and Equivalent Share			
Primary:			
Earnings from continuing operations	$ 1.55	$ 1.13	$ (.01)
Cumulative effect of accounting change	—	—	(3.93)
Net Earnings (Loss)	$ 1.55	$ 1.13	$ (3.94)
Fully Diluted			
Earnings from continuing operations	$ 1.46	$ 1.12	$ (.01)
Cumulative effect of accounting change	—	—	(3.93)
Net Earnings (Loss)	$ 1.46	$ 1.12	$ (3.94)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Earnings Per Share—The computation of primary earnings per share is based on the weighted average number of outstanding common shares during the period plus, when their effect is dilutive, common stock equivalents consisting of certain shares subject to stock options. Fully diluted earnings per share additionally assumes the conversion of outstanding Series C ESOP and Series D preferred stock and the contingent issuance of common stock to satisfy the Series C ESOP preferred stock redemption price guarantee. The number of contingent shares used in the fully diluted calculation is based on the market price of the company's common stock on December 31, 1994, and the number of preferred shares held by the Employee Stock Ownership Plan (ESOP) as of December 31 of each of the respective years.

The primary weighted average number of common and equivalent shares outstanding (in thousands) was 35,062, 27,342, and 22,390 for 1994, 1993 and 1992, respectively. The fully diluted weighted average number of common and equivalent shares outstanding (in thousands) was 41,812 for 1994, 34,211 for 1993 and 25,782 for 1992.

Net earnings used in the computation of primary earnings per share are reduced by preferred stock dividend requirements. Net earnings used in the computation of fully diluted earnings per share are reduced by amounts representing the additional after-tax contribution that would be necessary to meet ESOP debt service requirements under an assumed conversion of the Series C ESOP preferred stock.

TOKHEIM CORPORATION (NOV)

(Amounts in thousands except amounts per share)	1994	1993	1992
Earnings (loss) per common share:			
Continuing operations before cumulative effect of change in accounting	$ .03	$(1.09)	$(5.86)
Discontinued operations	—	—	1.63
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	(1.72)	—	—
Net loss	$ (1.69)	$(1.09)	$(4.23)
Weighted average shares outstanding	7,801	6,940	6,307

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

7. Earnings Per Share

Primary earnings per share are based on the weighted average number of shares outstanding during each year and the assumed exercise of dilutive stock options less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company's common stock.

The following table presents information necessary to calculate earnings (loss) per share for fiscal years ended November 30, 1994, 1993, and 1992.

	1994	1993	1992
Shares outstanding (in thousands)			
Weighted average outstanding	7,801	6,891	6,307
Share equivalents	—	49	—
Adjusted outstanding	7,801	6,940	6,307
Earnings (loss)			
Continuing operations before cumulative effect of change in accounting	$ 1,862	$(5,867)	$(35,184)
Discontinued operations	—	—	10,278
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	(13,416)	—	—
Net loss	(11,554)	(5,867)	(24,906)
Preferred stock dividends	(1,617)	(1,663)	(1,790)
Loss applicable to common stock	$ (13,171)	$ (7,530)	$(26,696)
Earnings (loss) per common share:			
Continuing operations before cumulative effect of change in accounting	$ .03	$ (1.09)	$ (5.86)
Discontinued operations	—	—	1.63
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	(1.72)	—	—
Net loss per common share	$ (1.69)	$ (1.09)	$ (4.23)

For 1994, 1993, and 1992, fully diluted earnings per share is considered to be the same as primary earnings per share, since the effect of certain potentially dilutive securities would be antidilutive.

UNISYS CORPORATION (DEC)

(Millions, except per share data)	1994	1993	1992
Earnings (loss) on common shares	$(19.6)	$443.8	$ 239.1
Earnings (loss) per common share			
Primary			
Before extraordinary items and changes in accounting principles	$ (.07)	$ 1.46	$ 1.06
Extraordinary items	(.04)	(.16)	.40
Effect of changes in accounting principles		1.39	
Total	$ (.11)	$ 2.69	$ 1.46
Fully diluted			
Before extraordinary items and changes in accounting principles	(.07)	$ 1.48	$ 1.04
Extraordinary items	(.04)	(.11)	.36
Effect of changes in accounting principles		.94	
Total	$ (.11)	$ 2.31	$ 1.40

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings per common share

In 1994, the computation of both primary and fully diluted earnings per share was based on the weighted average number of outstanding common shares. The inclusion of additional shares assuming the exercise of stock options, conversion of Series A Cumulative Convertible Preferred Stock, or conversion of the 8¼% convertible subordinated notes due August 1, 2000 would have been antidilutive. In 1993 and 1992, the computation of primary earnings per share was based on the weighted average number of outstanding common shares and additional shares assuming the exercise of stock options, and the computation of fully diluted earnings per share assumed the conversion of 8¼% convertible subordinated notes due August 1, 2000. The computation of fully diluted earnings per share for 1993 further assumed conversion of Series A Cumulative Convertible Preferred Stock. The inclusion of additional shares assuming the conversion of Series A Cumulative Convertible Preferred Stock would have been antidilutive in 1992. The shares used in the computations for the three years ended December 31, 1994 were as follows (in thousands):

	1994	1993	1992
Primary	170,752	165,070	163,725
Fully diluted	170,752	246,550	181,813

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

(in millions except per share amounts)	1994	1993	1992
Net income (loss)	$ 77	$ (326)	$(1,394)
Earnings (loss) per common share (note 14):			
From Continuing Operations	$ .07	$ (.64)	$ .95
From Discontinued Operations	—	(.27)	(4.08)
From cumulative effect of changes in accounting principles	—	(.16)	(.98)
Earnings (loss) per common share	$ .07	$(1.07)	$ (4.11)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Shareholders' Equity

Earnings (loss) per common share is computed by dividing income, after deducting the preferred dividend requirements, by the weighted average number of common shares outstanding during the year plus the weighted average common stock equivalents. Common stock equivalents consist of shares subject to stock options, shares potentially issuable under deferred compensation programs and the Series B Preferred. For this computation, net income or loss was adjusted for the after-tax interest expense applicable to the deferred compensation programs.

For the calculation of primary and fully diluted earnings per share, the Series B Preferred are considered common stock equivalents at a rate of four Series B Preferred to one common share. The Series C Preferred are considered outstanding common stock at a rate of ten Series C Preferred to one common share.

When the Series B Preferred have an anti-dilutive effect on earnings per share, the related common stock equivalent shares are excluded from weighted average shares outstanding and the dividend requirement is deducted from net income in computing earnings available to common shareholders. During 1994 and 1993, the Series B Preferred shares were anti-dilutive for earnings per share calculations. During 1992, the Series B Preferred shares were dilutive for the earnings per share calculation in the second quarter, and anti-dilutive for the third and fourth quarters and for the full year.

In accordance with prevalent practice at the time of issuance, the Series C Preferred were treated as outstanding common stock for the calculation of earnings per share during 1994. If the Series C Preferred had been treated as common stock equivalents for the calculation of earnings per share, the Corporation's 1994 per share results would have been a loss of $.02.

The weighted average number of common shares used for computing earnings or loss per share was 383,736,000 in 1994, 352,902,000 in 1993 and 346,103,000 in 1992.

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.

BAXTER INTERNATIONAL INC. (DEC)

CORPORATE CITIZENSHIP

During 1994, Baxter and its employees donated time, talent, materials and money to a variety of worthy causes worldwide. The company also honored its commitment to operate accordingly to the highest standards in areas such as environmental affairs and business ethics.

Giving Around the World

Working with AmeriCares, the international relief organization, Baxter donated emergency medical supplies that made a life-and-death difference on several continents. In August, Baxter sent 127,000 intravenous sets, 1.6 million medical gloves and 400 cases of surgical supplies to help victims of cholera and dehydration among the more than one million Rwandan refugees in Zaire.

In October, Baxter IV solutions, surgical products and other supplies were delivered to Guatemala as part of a humanitarian relief effort. Also in October, Baxter donated intravenous sets, surgical equipment and other much-needed supplies to Haiti, following the lifting of the United States and United Nations trade embargo. In December, Baxter products were part of an airlift to aid Cuban and Haitian refugees detained at the Guantanamo Bay Naval Base in Cuba.

Elsewhere around the world, Baxter-donated products helped supply a children's clinic in St. Petersburg, Russia, and the largest cardiovascular center in Bulgaria. All told, Baxter donated more than $10 million worth of medical equipment and supplies through AmeriCares. Individual Baxter divisions and operations donated additional supplies worth hundreds of thousands of dollars.

At the same time, Baxter employees across the globe were personally active in a variety of volunteer programs at the local level. Baxter's operations in Albuquerque, New Mexico, for example, were honored by Childhelp USA for their community programs involving children and young adults.

The Baxter Foundation

An increased emphasis on local involvement also was evident in the work of The Baxter Foundation. The foundation increased its grantmaking to $3.4 million in 1994 and expanded its activities into Europe for the first time. Children of European employees, for example, became eligible for Baxter's college-scholarship program. The foundation also began making grants in Europe, with the first going to the Barretstown Gang Camp in County Kildare, Ireland—a camp open to children from throughout Europe who have life-threatening diseases.

In the United States and Puerto Rico, the foundation placed greater emphasis on grantmaking in communities where Baxter has local operations, rather than focusing largely on national organizations. One example is the Vietnamese Community of Orange County, California, which received a Baxter Foundation grant to establish a primary health-care clinic for Southeast Asian women and children.

Environmental Activities

In 1994, Baxter continued to meet or exceed its aggressive environmental goals. Since 1988, Baxter has reduced toxic air and chlorofluorocarbon (CFC) emissions by 75 percent, and levels of 17 other toxic pollutants by 93 percent. Since 1989, recycling has increased more than 150 percent, while total generation of hazardous waste has declined 26 percent. Between 1991 and 1993, Baxter decreased its overall packaging by 11 percent, well on the way to its goal of 15-percent reduction by 1995.

Baxter also is involved with more than 400 community environmental outreach programs in areas where the company does business. In addition to earning the company a reputation for environmental leadership, Baxter's environmental efforts resulted in net savings of $24 million to the company in 1993.

Valuing Diversity

Baxter is committed to serving a diverse customer and supplier base with innovative products and programs. The company also recognizes that maximizing the potential of its diverse employee population helps maximize the performance of the company as a whole.

For the fourth straight year, for example, Baxter was named by *Working Mother* magazine as one of the 100 best companies in America for working mothers. Criteria for the award include opportunities for advancement, support for child care, family-leave benefits and pay.

Ethics and Integrity

Baxter believes corporate citizenship includes a commitment to the highest standards of ethics and integrity. In 1994, the company's Corporate Responsibility Office developed and distributed to U.S. employees a manual entitled, *Baxter Shared Values: Standards for Business Ethics.* The booklet, which also will be translated and distributed to all international employees, covers topics such as handling confidential information, workplace harassment, and accepting or giving gifts.

The manual is part of a comprehensive program that includes on-site ethics-awareness training at all Baxter locations, as well as a confidential, toll-free telephone number employees can use to get answers to specific questions or to report ethical concerns.

W.R. GRACE & CO. (DEC)

COMMITMENT TO CARE

The Commitment to Care[SM] program is Grace's way of safeguarding the environment and providing for the health and safety of employees. But in fact, it is much more. At Grace, "commitment to care" is a philosophy, a way of doing business. It signals a responsibility, not just to employees and the environment, but to customers and neighbors in the communities where Grace operates around the world. It infuses everything the Company does.

Environment, Health & Safety

Established in 1994, the Commitment to Care[SM] program provides uniform standards for employee health and safety and environmental performance at all Grace facilities worldwide. This comprehensive, six-part program is an extension of the well-known Responsible Care® initiative of the U.S.-based Chemical Manufacturers Association.

In the area of pollution abatement, for example, Grace reduced reportable emissions in the U.S. under the SARA Title III program by 91% since 1987. To reduce the possibility of groundwater contamination, the Company invested $2 million at a Fawkner, Australia plant to replace outdated underground storage tanks with double-walled, vacuum-monitored, environmentally safe tanks. In Sorocaba, Brazil, a unique wastewater treatment system for Grace Davison will significantly enhance the quality of the plant's effluent. A similar system is planned for Grace Davison's new facility in Kuantan, Malaysia.

The use of energy-efficient lighting reduces electricity consumption and, as a result, the pollution associated with electric power generation. That is the goal of the U.S. Environmental Protection Agency's "Green Lights" program, a voluntary initiative to encourage businesses to replace outmoded fixtures with more energy-efficient models. As a Green Lights Corporate Partner, Grace has surveyed more than half its commercial space and identified retrofits which, when fully implemented, will save 17 million kilowatt hours of electricity and cut costs by approximately 43%.

Grace's commitment to employee health and safety is reflected in a 50% reduction since 1988 in reportable lost-time accidents. One Grace facility—Grace Packaging's equipment service center in Duncan, South Carolina, which has 212 employees—did not have a single recordable accident in 1994. Statistically, an operation of this size should have had 26 employees go to the doctor, with 11 of those injuries serious enough for an employee to miss work the next day.

The Products We Make

"Commitment to care" extends into the products Grace makes as well. Take, for example, the Daramend system, which utilizes bioremediation in the cleanup of soils contaminated with organic pollutants. Grace Dearborn wastewater treatment products help industrial customers recycle water or make it environmentally safe for discharge. Daraclean, developed by Grace Container Products, is a water-based metals cleaning technology that is worker-safe, easily recycled and biodegradable. DESOX® is a Grace Davison additive used to reduce sulfur dioxide emissions from petroleum refining. Grace TEC System offers a full range of air pollution control products for industrial and mobile sources.

In February 1995 Grace formed a joint venture to manufacture automotive metal-based catalytic converters. Metal catalytic converters activate quickly and operate stably when mounted near vehicle manifolds, effectively reducing cold-start emissions. These are the emissions that exit the vehicle's tailpipe in the first 60 to 90 seconds after engine startup, but before the catalyst has reached activiation or "light-off" temperature. With reduction of cold-start emissions key to meeting increasingly stringent auto emissions standards worldwide, use of metal catalytic converters is expected to more than quadruple over the next five years.

Community Outreach

A key component of Grace's "commitment to care" philosophy is corporate citizenship—responding to community needs through financial contributions, in-kind services and employee involvement.

Through Grace Foundation, the Company supports hundreds of nonprofit education, health care, social service and youth development programs. Foundation contributions, together with direct corporate support, totaled over $4 million in 1994. Education, with special emphasis on math and science, is the primary focus of giving. Employees are encouraged to support education through a matching grants program, which matches employee contributions dollar for dollar. Matching grant contributions in 1994 topped $500,000.

Grace's focus on education often takes the form of partnerships with community schools. At Atholton High School in Columbia, Maryland, a long-running partnership between Grace's Washington Research Center employees and the school has measurably enhanced math and chemistry programs and resulted in higher grades. At Southern High School in Baltimore, students are encouraged to stay in school by Grace employees who volunteer as tutors, coaches and role models. And in Blue Mound, Texas, Grace received the school district's 1994 "Golden Apple Award" for an innovative environmental program involving Grace employees and 5th graders who, over a four-year period of cleanups and plantings, successfully restored 29 acres to their original "prairie" condition.

To learn more about Commitment to Care[SM], request a copy of Grace's 1995 progress report on environment, health and safety initiatives. Write to W.R. Grace & Co., One Town Center Road, Boca Raton, FL 33486-1010 or, in North America, call 800/245-6882.

PITNEY BOWES INC. (DEC)

COMMITMENT

Pitney Bowes' commitment to the communities in which it operates has been an important part of its 75-year history. Each year, that commitment manifests itself in service to and concern for the community; 1994 was no different.

Last year, the company aided employees and others in emergency situations through its Relief Fund Charitable Trust. It also continued its work with the United Way, providing financial backing and human resource support for that organization's annual fund drive.

Indicative of Pitney Bowes' environmental and occupational safety concerns, the Corporate Safety and Environmental Affairs division implemented a host of programs to ensure that the company's operations comply with environmental standards in the communities where they are located. New programs include the elimination of hazardous materials at certain domestic manufacturing facilities, ergonomic evaluations and motor vehicle safety practices.

Pitney Bowes was also honored twice in 1994 for the proactive role it takes in promoting workplace diversity. The Catalyst Foundation presented its Catalyst Award to the company for its all-inclusive, integrated diversity strategy, which is being replicated in each one of Pitney Bowes' business units.

In addition, *Working Mother* magazine named Pitney Bowes one of the 100 Best Companies for Working Mothers in America. The winning companies are widely regarded as the nation's most innovative firms for their development of programs that help support working families.

Pitney Bowes believes its relationships with its four constituent groups—customers, employees, shareholders and communities—are critical to its business success and reputation. The Pitney Bowes Statement of Values sets out the principles that guide the company in these relationships. In 1994, the company's Statement of Values was discussed and revised to reflect the changing global environment and the evolving relationships between companies and their constituencies.

RUSSELL CORPORATION (DEC)

CORPORATE CITIZENSHIP

Russell Corporation firmly believes that a healthy environment, a safe work place and the opportunity to maintain, or improve, one's standard of living through education are factors that enhance the quality of life. Russell's committed to positive corporate citizenship and this commitment manifests itself in many ways.

It is the Company's conviction that preserving a safe and healthy environment is the obligation of every citizen and enterprise and that the environment should be protected for both current and future generations. Russell Corporation is an active member of the American Textile Manufacturing Institute's Encouraging Environmental Excellence Program, a program for leading the industry's actions in protecting the environment. Russell's goal is to ensure that by-products of the manufacturing process do not have adverse ecological effects.

One critical environmental issue is the accumulation of solid waste in landfills to which Russell remains committed to its goal of "zero waste." We continuously work with our business partners to identify and develop recyclable products and packaging materials to reduce or eliminate the accumulation of waste items in landfills.

Russell Corporation is committed to a safe and healthy work place for its employees. In 1994, the Occupational Safety and Health Administration recognized nine Russell plants in the OSHA Voluntary Protection Program. Only plants with outstanding employee safety practices and records are accepted into this program. Russell plants represent five percent of all facilities nationwide to have achieved the "Star" or "Merit" status from OSHA.

Russell and education have always been a team promoting programs geared to encourage students to stay in school or to return if they drop out. In 1994, the Apparel Education Committee of the American Apparel Manufacturers Association honored Russell with its first ever Excellence in Education award which recognized apparel companies that have demonstrated a corporate commitment to an ongoing support of continuing education. The Company offers programs under the name of STAR (Skills Training at Russell), in which all employees are encouraged to participate. The Company has introduced a computer-equipped mobile learning center that travels to its southeastern plants to help build employee math and reading skills. Several plants provide education-oriented child-care centers as well as after-school care for children in grades K–2.

Russell also offers a reading enrichment program for employees' children and a Student Employment Program for vocational students that provides a bridge between school and the business world. The Company has made it a matter of policy that employees may attend parent-teacher conferences during work hours without losing pay, thus enabling parents to get involved in the education of their children.

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 1994 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1994	1993	1992	1991
Statement of stockholders' equity	488	481	481	473
Separate statement of retained earnings	36	45	48	47
Combined statement of income and retained earnings	23	24	27	27
Schedule in notes	53	50	44	53
Total Companies	**600**	**600**	**600**	**600**

DIVIDENDS

Chapter 7B of *Accounting Research Bulletin 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 64% of the survey companies paying cash dividends to common stock shareholders indicate the per share amount of such dividends in the statement of retained earnings; approximately 36% of the survey companies made 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			
	1994	1993	1992	1991
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	278	283	290	286
Per share amount not disclosed in retained earnings statements	159	161	162	170
Total	**437**	**444**	**452**	**456**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	45	51	47	52
Per share amount not disclosed in retained earnings statements	91	87	83	86
Total	**136**	**138**	**130**	**138**
Dividends Paid by Pooled Companies	**2**	**—**	**1**	**2**
Stock Dividends	**8**	**12**	**10**	**10**
Dividends in Kind	**8**	**11**	**12**	**7**
Stock Purchase Rights	**3**	**4**	**2**	**9**

Cash Dividends

ABM INDUSTRIES INCORPORATED

Consolidated Statements of Stockholders' Equity

	Common Stock			
(in thousands, except per share amounts)	Shares	Amount	Additional Capital	Retained Earnings
Balance October 31, 1991	4,130	41	24,126	62,771
Net income				11,992
Dividends ($.49 per common share)				(4,127)
Two-for-one stock split	4,227	42	(42)	
Stock issued under employees' stock purchase and option plans	157	2	3,404	
Balance October 31, 1992	8,514	85	27,488	70,636
Net income				12,646
Dividends:				
Common stock at $0.50 per share				(4,339)
Preferred stock at $13.56 per share				(87)
Stock issued under employees' stock purchase and option plans	264	3	3,756	
Balance October 31, 1993	8,778	88	31,244	78,856
Net income				15,169
Dividends:				
Common stock at $0.515 per share				(4,606)
Preferred stock at $80.00 per share				(512)
Stock issued under employees' stock purchase and option plans	271	2	4,090	
Balance October 31, 1994	9,049	90	35,334	88,907

ALCO STANDARD CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

Fiscal Year Ended September 30

	1994		1993		1992	
(in thousands except per share data)	Shares	Amounts	Shares	Amounts	Shares	Amounts
Series AA Convertible Preferred Stock						
Balance, beginning of year	4,025	$ 197,900				
Issued in public offering			4,025	$ 196,335		
Dividend accretion		2,012		1,565		
Balance, end of year	4,025	$ 199,912	4,025	$ 197,900		
Common Stock						
Balance, beginning of year	48,772	$ 259,031	48,772	$ 257,069	48,772	$ 249,870
Issued in public offering	5,750	293,500				
Mergers		(4,104)				5,854
Tax benefit relating to stock plans		2,788		1,962		1,345
Balance, end of year	54,522	$ 551,215	48,772	$ 259,031	48,772	$ 257,069
Retained Earnings						
Balance, beginning of year		$ 651,373		$ 699,015		$ 687,892
Net income		70,609		100		95,762
Cash dividends declared:						
Preferred stock, per share: 1994-$2.875; 1993-$2.236		(11,572)		(9,571)		
Common stock, per share: 1994-$1.00; 1993-$.96; 1992-$.92		(52,222)		(44,858)		(41,520)
Pooled companies, prior to merger		(2,408)				(3,907)
Credits (charges) from issuance of treasury shares and other		(13,146)		6,687		(39,212)
Balance, end of year		$ 642,634		$ 651,373		$ 699,015
Foreign Currency Translation Adjustment						
Balance, beginning of year		$ (23,640)		$ (6,622)		$ 2,039
Translation adjustment		(1,347)		(17,018)		(8,661)
Sale of investment in unconsolidated affiliate		2,437				
Balance, end of year		$ (22,550)		$ (23,640)		$ (6,622)
Cost of Common Shares in Treasury						
Balance, beginning of year	1,808	$ (64,048)	2,823	$ (89,099)	4,134	$(118,606)
Purchases	887	(47,733)	756	(32,389)	1,569	(57,200)
Reissued for						
Exercise of options	(454)	18,027	(405)	13,063	(297)	8,814
Sales to employee stock plans	(1,172)	47,799	(1,250)	40,564	(1,114)	33,127
Mergers, acquisitions and other	(995)	41,888	(116)	3,813	(1,469)	44,766
Balance, end of year	74	$ (4,067)	1,808	$ (64,048)	2,823	$ (89,099)

AMERICAN MAIZE-PRODUCTS COMPANY

Consolidated Statements of Operations and Retained Earnings

(Dollars in thousands, except per share amounts)

For the years ended Dec 31,	1994	1993	1992
Net income (loss)	$ 26,945	$ (31,168)	$ 13,011
Retained earnings, beginning of year	90,221	127,324	118,437
Less: Cash dividends paid ($.65 per share in 1994 and $.64 per share in 1993 and 1992)	6,600	5,935	4,124
Retained earnings, end of year	$ 110,506	$ 90,221	$ 127,324

CONSOLIDATED PAPERS, INC.

Consolidated Statements of Reinvested Earnings

	For the years ended Dec 31		
(Dollars in thousands)	1994	1993	1992
Balance beginning of period	$ 848,311	$840,332	$883,977
Add: Net income	86,734	64,195	12,359
Deduct: Cash dividends of $1.28 per share in 1994, 1993 and 1992	(56,448)	(56,216)	(56,004)
Balance end of period	$ 878,597	$848,311	$840,332

Stock Dividends

ANTHONY INDUSTRIES, INC.

Statements of Consolidated Shareholders' Equity

(in thousands except for per share figures)	Common Stock	Additional paid-in capital	Retained earnings	Employee Stock Ownership Plan and stock option loans	Treasury shares at cost	Cumulative translation adjustments	Total
Balance at January 1, 1992	$10,466	$41,727	$35,117	$(2,919)	$(3,993)	$ 265	$80,663
Net income for the year 1992			8,521				8,521
Exercise of stock options	86	696		(560)			222
Cash dividends, $.385 per share			(4,464)				(4,464)
Stock dividends, 5%, plus cash in lieu of fractional shares	499	5,554	(6,062)				(9)
Translation adjustments						(1,662)	(1,662)
Employee Stock Ownership Plan, amortization and partial loan repayment				327			327
Balance at December 31, 1992	11,051	47,977	33,112	(3,152)	(3,993)	(1,397)	83,598
Net income for the year 1993			11,121				11,121
Exercise of stock options	97	828		(296)			629
Cash dividends, $.405 per share			(4,733)				(4,733)
Stock dividends, 5% plus cash in lieu of fractional shares	533	8,058	(8,605)				(14)
Translation adjustments						(2,032)	(2,032)
Employee Stock Ownership Plan, amortization and partial loan repayment				87			87
Balance at December 31, 1993	11,681	56,863	30,895	(3,361)	(3,993)	(3,429)	88,656
Net income for the year 1994			13,033				13,033
Exercise of stock options	78	764		(575)			267
Cash dividends, $.425 per share			(5,010)				(5,010)
Stock dividend, 5%, plus cash in lieu of fractional shares	562	9,348	(9,924)				(14)
Translation adjustments						2,261	2,261
Repurchase of shares and stock option loan repayments	2	(2)		303	(196)		107
Employee Stock Ownership Plan, amortization and partial loan repayment				(304)			(304)
Balance at December 31, 1994	$12,323	$66,973	$28,994	$(3,937)	$(4,189)	$(1,168)	$98,996

GENERAL HOST CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(*Dollars in thousands*)	Shares of Common Stock Issued	Shares of Common Stock In Treasury	Common Stock Issued	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Notes Receivable from Exercise of Stock Options	Total Shareholders' Equity
Balance at January 26, 1992	31,752,450	(13,777,692)	$31,752	$89,057	$166,558	$(130,597)	$(1,381)	$155,389
Net Income					5,322			5,322
Cash dividends					(6,475)			(6,475)
Stock options exercised		101,000		(160)		957	(715)	82
Income tax benefit from stock options exercised				40				40
Balance at January 31, 1993	31,752,450	(13,676,692)	31,752	88,937	165,405	(129,640)	(2,096)	154,358
Net loss					(56,060)			(56,060)
Cash dividends					(7,422)			(7,422)
Stock dividend		1,000,788		(3,106)	(6,380)	9,486		
Acquisition of equity interest in Sunbelt Nursery Group, Inc.		1,940,000		(686)		18,389		17,703
Note repayments							135	135
Balance at January 30, 1994	31,752,450	(10,735,904)	31,752	85,145	95,543	(101,765)	(1,961)	108,714
Net income					8,585			8,585
Stock dividend declared on March 1, 1995		1,054,307		(3,668)	(6,326)	9,994		
Restricted stock grants issued		68,300		(306)		648		342
Issuance of common stock		1,800		(8)		17		9
Balance at January 29, 1995	31,752,450	(9,611,497)	$31,752	$81,163	$ 97,802	$ (91,106)	$(1,961)	$117,650

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Subsequent to fiscal 1994 a 5% stock dividend was declared by the Board of Directors for shareholders of record on March 17, 1995. The stock dividend is payable on April 7, 1995 and all stock related data in the consolidated financial statements reflect the stock dividend for all periods presented.

Dividends-in-Kind

ETHYL CORPORATION

Consolidated Statements of Shareholders' Equity

(In Thousands of Dollars Except Share Data)

Years Ended December 31		1994		1993		1992
	Shares	Amounts	Shares	Amounts	Shares	Amounts
Common stock (authorized 400,000,000 shares)						
Beginning balance	118,405,287	$118,405	118,357,515	$ 118,358	118,316,994	$ 118,317
Issued upon exercise of stock options and SARs	75,723	76	75,714	75	59,199	59
Purchased and retired	(46,609)	(47)	(27,942)	(28)	(18,678)	(18)
Ending balance	118,434,401	118,434	118,405,287	118,405	118,357,515	118,358
Additional paid-in capital						
Beginning balance		2,450		1,708		865
Exercise of stock options and SARs		858		1,374		1,367
Retirement of purchased common stock		(602)		(621)		(524)
Distribution of common stock under bonus plan		—		(11)		—
Ending balance		2,706		2,450		1,708
Foreign currency translation adjustments						
Beginning balance		(1,757)		9,840		20,993
Translation adjustments		3,647		(11,597)		(11,153)
Spin-off of Albemarle Corporation		(4,143)		—		—
Ending balance		(2,253)		(1,757)		(9,840)
Unrealized gain on marketable equity securities						
Beginning balance		—		64,901		56,650
Unrealized gains		—		13,326		8,261
Spin-off of First Colony Corporation		—		(78,227)		—
Ending balance		—		—		64,901
Retained earnings						
Beginning balance		633,483		1,206,472		1,022,498
Net income		97,755		175,505		254,985
Cash dividends declared:						
First Preferred stock, $6.00 per share		(12)		(12)		(12)
Common stock, $.50 per share in 1994 and $.60 per share in 1993 and 1992		(59,215)		(71,033)		(70,999)
Dividend of common stock of Albemarle Corporation, at book value		(399,957)		—		—
Dividend of common stock of First Colony Corporation, at book value		—		(677,449)		—
Redemption of 6% First Preferred Stock		(4)		—		—
Ending balance		272,050		633,483		1,206,472
Total shareholders' equity		$390,937		$ 752,581		$1,401,279

NOTES TO FINANCIAL STATEMENTS

2. Spin-Off of Albemarle Corporation:

At the close of business on February 28, 1994, Ethyl completed the spin-off of its wholly owned subsidiary, Albemarle, in the form of a tax-free stock dividend. Following the spin-off, Albemarle owns, directly or indirectly, the olefins and derivatives, bromine chemicals and specialty chemical businesses formerly owned directly or indirectly by the Company. One share of Albemarle common stock was distributed to Ethyl common shareholders for every two shares of Ethyl common stock held.

The December 31, 1994, consolidated balance sheet reflects the impact of the $399,957 reduction in retained earnings and a $4,143 foreign currency translation adjustment in connection with the distribution of the Albemarle stock. The following supplemental information is provided regarding the accounts of Albemarle spun off at the close of business on February 28, 1994:

(In Thousands)	February 28, 1994
Assets	
Current assets:	
Cash & cash equivalents	$ 29,332
Accounts receivable, less allowance for doubtful accounts	147,513
Inventories	137,624
Deferred income taxes & prepaid expenses	16,059
Total current assets	330,528
Property, plant & equipment	1,355,537
Less accumulated depreciation	(692,032)
Net property, plant & equipment	663,505
Other assets & deferred charges	49,480
Goodwill & intangibles—net of amortization	33,132
Total assets	1,076,645
Liabilities	
Current liabilities:	
Accounts payable	65,162
Accrued expenses	47,122
Long-term debt, current portion	14,065
Total current liabilities	126,349
Long-term debt	384,924
Other noncurrent liabilities	40,996
Deferred income taxes	120,276
Total liabilities	672,545
Net assets of Albemarle	$ 404,100

Supplemental *Pro Forma* Financial Information (Unaudited)—As a result of the aforementioned distribution, the Company believes that the following *pro forma* financial information is important to enable the reader to obtain a meaningful understanding of the Company's results of operations. The *pro forma* financial statements are for informational purposes only to illustrate the estimated effects of the distribution of Albermarle on Ethyl on a stand-alone basis and may not necessarily reflect the future results of operations of Ethyl or what the earnings or results of operations of Ethyl would have been had Albemarle operated as as separate, independent company.

Pro Forma Condensed Statements of Income (Unaudited)

(In Thousands Except Per-Share Amounts)

Years Ended December 31	1994 Historical	1994 Adjustments[a]	1994 *Pro Forma*	1993 Historical	1993 Adjustments[a]	1993 *Pro Forma*
Net sales	$1,174,086	$ (155,064)	$1,019,022	$1,983,390	$ (903,418)	$1,034,972
Cost of goods sold	776,508	(119,086)	657,422	1,386,251	(710,970)	675,281
Gross profit	397,578	(35,978)	361,600	552,139	(192,448)	359,691
Selling, general & administrative expenses	144,455	(14,471)	129,984	221,384	(85,470)	135,914
Research, development & testing expenses	82,661	(8,662)	73,999	127,000	(50,994)	76,006
Special charges	2,720	—	2,720	36,150	(7,322)	28,828
Operating profit	167,742	(12,845)	154,897	167,605	(48,662)	118,943
Interest & financing expenses	25,378	(2,873)[b]	22,505	44,085	(17,358)[b]	26,727
Other expenses (income), net	1,218	543	1,761	(9,987)	1,640	(8,347)
Income before income taxes, extraordinary item and discontinued insurance operations	141,146	(10,515)	130,631	133,507	(32,944)	100,563
Income taxes	43,391	(4,239)[c]	39,152	43,485	(17,098)[c]	26,387
Income before extraordinary item and discontinued insurance operations	$ 97,755	$ (6,276)	$ 91,479	$ 90,022	$ (15,846)	$ 74,176
Earnings per share based on income before extraordinary item and discontinued insurance operations[d]	$ .83		$ .78	$ .76		$ .63

Introduction To Notes: The following is a summary of adjustments reflected in the *pro forma* condensed Statements of Income. Following the distribution, in the opinion of management, expenses of Ethyl would not have differed materially from the amounts remaining in the Ethyl consolidated financial statements after eliminating those expenses attributable to Albemarle.

Notes:

[a] To eliminate the historical income and expenses of Albemarle for the respective periods presented, as if the distribution had occurred on January 1, 1993.

[b] To eliminate interest expense that would have been incurred by Albemarle on debt transferred to Albemarle (as if the distribution had occurred on January 1, 1993), including debt under the credit facility transferred from Ethyl. Interest eliminated under the credit facility was computed at the weighted-average interest rates of 3.8% and 3.6% for the two months ended February 28, 1994, and the year ended December 31, 1993, respectively, less capitalized interest of $124,000 and $1,101,000, respectively. Interest rates used to calculate the Albemarle interest eliminated under the credit facility are those rates that were available to Ethyl under its revolving credit agreement during the respective periods presented. Such rates were used because, during management's negotiations to obtain the credit facility, the rates available to Ethyl and Albemarle on a stand-alone basis were approximately the same. Management was advised that these rates would have been the same during the respective periods presented.

[c] To record the estimated income-tax effect for the *pro forma* adjustments described in Notes (a) and (b) for the two months ended February 28, 1994, and the year ended December 31, 1993, respectively.

[d] Historical and *pro forma* earnings per share, based on income before discontinued insurance operations and extraordinary item are computed after deducting applicable preferred-stock dividends from such income and using the weighted-average number of shares of common stock and common-stock equivalents outstanding for the periods presented.

LITTON INDUSTRIES, INC.

Consolidated Statements of Shareholders' Investment

(thousands of dollars)	Total Shareholders' Investment	Capital Stock Preferred Series B Par Value $5	Capital Stock Common Par Value $1	Additional Paid-in Capital	Retained Earnings	Cumulative Currency Translation Adjustment
Balance at July 31, 1991	$1,157,069	$2,053	$ 39,658	$ 359,582	$ 765,860	$ (10,084)
Net earnings	174,437	—	—	—	174,437	—
Cash dividends on Preferred-Series B ($2.00 per share)	(821)	—	—	—	(821)	—
Purchase of Common stock	(1,458)	—	(32)	(1,229)	(197)	—
Exercise of employee stock options	31,163	—	829	30,334	—	—
Currency translation adjustment	3,671	—	—	—	—	3,671
Balance at July 31, 1992	1,364,061	2,053	40,455	388,687	939,279	(6,413)
Net earnings	65,186	—	—	—	65,186	—
Cash dividends on Preferred-Series B ($2.00 per share)	(821)	—	—	—	(821)	—
Purchase of Common stock	(90,957)	—	(1,769)	(20,149)	(69,039)	—
Exercise of employee stock options	31,900	—	720	31,180	—	—
Conversion of zero coupon convertible subordinated notes	312,587	—	6,114	306,473	—	—
Currency translation adjustment	(18,238)	—	—	—	—	(18,238)
Balance at July 31, 1993	1,663,718	2,053	45,520	706,191	934,605	(24,651)
Net loss	(152,505)	—		(152,505)		
Cash dividents on Preferred-Series B ($2.00 per share)	(821)	—	—	—	(821)	—
Purchase of Common stock	(2,736)	—	(44)	(803)	(1,889)	—
Exercise of employee stock options	15,850	—	438	15,412	—	—
Currency translation adjustment	2,201	—	—	—	—	2,201
Distribution of Western Atlas Inc. (Note B)	(915,293)	—	—	(447,520)	(461,709)	(6,064)
Balance at July 31, 1994	$ 610,414	$2,053	$ 45,914	$ 273,280	$ 317,681	$ (28,514)

NOTES TO FINANCIAL STATEMENTS

Note B (In Part): Business Divestitures and Acquisitions

Distribution of WAI. On March 17, 1994, Litton distributed all of the issued and outstanding shares of common stock of its previously wholly-owned subsidiary Western Atlas Inc. ("WAI"). The WAI operations, reflected herein as discontinued operations, comprised substantially all of the Company's former oilfield services and industrial automation systems businesses. The distribution ("Distribution") was made in the form of a dividend to holders of record of Litton Common stock at the close of business on March 14, 1994. Litton shareholders of record received one share of WAI common stock for each share of Litton Common stock owned. The consolidated financial statements reflect an accounting date for the Distribution of February 28, 1994, which resulted in a reduction of Litton's Shareholders' Investment in the amount of $915.3 million representing the book value of net assets distributed.

Sales were $1.09 billion, $2.01 billion and $1.98 billion for the seven months ended February 28, 1994, fiscal year 1993 and fiscal year 1992, respectively. Net earnings (loss) were ($173) million, $85 million and $87 million for the same periods. Results for the seven months ended February 28, 1994 included special charges totalling $179 million, net of tax, recorded to reflect the write-down of net assets of a certain division and to provide for obsolescence of older technology equipment, vessels and inventory and the consolidation of facilities. Net earnings for fiscal year 1993 included the cumulative effect of a change in accounting principle for $10 million. Corporate interest costs of $7 million, $12 million and $12 million have been attributed to WAI and, therefore, reclassified to discontinued operations for the seven months ended February 28, 1994, fiscal year 1993 and fiscal year 1992, respectively. Income tax expense (benefit) allocated to WAI for the same periods was ($55) million, $79 million and $73 million.

Note F (In Part): Shares Outstanding and Shareholders' Investments

WAI Distribution. In connection with the Distribution (see Note B), Shareholders' Investment was reduced in the amount of $915.3 million representing the book value of net assets distributed. The adjustments to Retained earnings, Additional paid-in capital and Cumulative currency translation adjustment were based, generally, on the respective Litton and WAI balances as of the accounting date for the Distribuiton.

Stock Purchase Rights

BERGEN BRUNSWIG CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Capital Stock, Paid-in Capital and Stock Options

On February 9, 1994, the Board adopted a Shareowner Rights Plan which provided that a dividend of one Preferred Share Purchase Right (the "Rights") was declared for each share of Common Stock outstanding at the close of business on February 18, 1994. The Rights are generally not exercisable until 10 days after a person or group acquires 15% of the Common Stock or announces a tender offer which could result in a person or group owning 15% or more of the Common Stock (an "Acquisition"). Each Right, should it become exercisable, will entitle the owner to buy 1/100th of a share of a new series of the Company's Series A Junior Preferred Stock at an exercise price of $80.00

In the event of an Acquisition without the approval of the Board, each Right will entitle the owner, other than an acquiror, to buy at the Rights' then current exercise price a number of shares of Common Stock with a market value equal to twice the exercise price. In addition, if at the time when there was a 15% shareowner, the Company were to be acquired by merger, shareowners with unexercised Rights could purchase common stock of the acquiror with a value of twice the exercise price of the Rights. The Board may redeem the Rights for $0.01 per Right at any time prior to an Acquisition. Unless earlier redeemed, the Rights will expire on February 18, 2004.

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			
	1994	1993	1992	1991
Income Taxes	8	16	12	6
Poolings of interests	7	12	6	7
LIFO discontinued	1	5	3	3
Other—Described	4	3	5	4

Income Taxes

HARNISCHFEGER INDUSTRIES, INC.

Statement of Shareholders' Equity

(Dollar amounts in thousands)	Common Stock	Capital In Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments	SECT	Treasury Stock	Total
Balance at October 31, 1991 as previously reported	$32,751	$392,309	$227,317	$ (8,770)	$ —	$(49,189)	$594,418
Cumulative effect of accounting change, net of minority interest	—	—	(14,957)	—	—	—	(14,957)
Restated balance at October 31, 1991	32,751	392,309	212,360	(8,770)	—	(49,189)	579,461
Net income			55,473				55,473
Exercise of stock options	19	277					296
Issuance of restricted stock	14	171					185
Dividends paid ($.40 per share)			(11,611)				(11,611)
Translation adjustments				(10,253)			(10,253)
2,060,000 shares acquired as Treasury Stock						(38,344)	(38,344)
Balance at October 31, 1992	32,784	392,757	256,222	(19,023)	—	(87,533)	575,207
Net loss			(17,054)				(17,054)
Exercise of stock options	3	49			214		266
Issuance of restricted stock	11	132					143
Dividends paid ($.40 per share)			(11,177)				(11,177)
Dividends on shares held by SECT		508					508
Establishment of SECT					(50,000)	(50,000)	—
Adjust SECT shares to market value		6,277			(6,277)		—
Translation adjustments				(9,452)			(9,452)
2,577,500 shares acquired as Treasury Stock						(50,812)	(50,812)
Purchase of shares by employee benefit plans					163		163
Balance at October 31, 1993	32,798	399,723	227,991	(28,475)	(55,900)	(88,345)	487,792
Net loss			(48,027)				(48,027)
Exercise of stock options		(1,024)			3,943		2,919
Issuance of restricted stock		(120)			262		142
Dividends paid ($.40 per share)			(11,379)				(11,379)
Dividends on shares held by SECT		902					902
Adjust SECT shares to market value		6,496			(6,496)		—
Translation adjustments					2,815		2,815
4,875 shares acquired as Treasury Stock						(124)	(124)
Sale of 2,000,000 shares of Treasury Stock		10,300				36,460	46,760
Purchase of shares by employee benefit plans					4,431		4,431
Balance at October 31, 1994	$32,798	$416,277	$168,585	$(25,660)	$(53,760)	$(52,009)	$486,231

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 1 (In Part): Significant Accounting Policies

Income Taxes — Effective November 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" (SFAS 109) retroactive to fiscal 1989. SFAS 109 changed the criteria for measuring the provision for income taxes and recording deferred tax assets and liabilities on the consolidated balance sheet. Under SFAS 109, 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. The Company reflected the initial application of the new standard as a cumulative effect of a change in accounting principle in the year of adoption and accordingly recognized income of $5,520 in the first quarter of fiscal 1989. The consolidated financial statements for each year presented take into account the effects of SFAS 109. See Note 6—Income Taxes.

Note 6 (In Part): Income Taxes

Effective November 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes," retroactive to November 1, 1988. See Note 1—Significant Accounting Policies. The impact on previously reported net income and earnings (loss) per share from adopting the new standard is as follows:

Year Ended October 31, *(in thousands)*	1993 Income (Loss)	1993 Per Share	1992 Income (Loss)	1992 Per Share
Increase (decrease) from previously reported	$644	$.03	$(1,213)	$(.04)

JOHNSTON INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Minimum Pension	
	Shares	Amount	Capital	Earnings	Shares	Amount	Liability	Total
Balance, June 30, 1991 —								
As previously reported	8,008,765	$ 800,000	$15,858,000	$39,770,000	885,375	$(3,366,000)		$53,062,000
Adjustments for three-for-two stock split	4,004,382	401,000	(401,000)		442,687			
Effect of SFAS 109 adoption (see Note 14)				(418,000)				(418,000)
Balance, June 30, 1991 —								
As restated	12,013,147	1,201,000	15,457,000	39,352,000	1,328,062	(3,366,000)		52,644,000
Exercise of stock options	165,545	18,000	484,000					502,000
Net income				6,689,000				6,689,000
Fractional shares redeemed as a result of the three-for-two stock split	(270)		(3,000)					(3,000)
Dividends paid ($.24 per share)				(2,619,000)				(2,619,000)
Balance, June 30, 1992	12,178,422	1,219,000	15,938,000	43,422,000	1,328,062	(3,366,000)		57,213,000
Exercise of stock options	159,823	16,000	795,000					811,000
Purchase of treasury stock					322,350	(2,693,000)		(2,693,000)
Net income				8,526,000				8,526,000
Dividends paid ($.32 per share)				(3,412,000)				(3,412,000)
Balance, June 30, 1993	12,338,245	1,235,000	16,733,000	48,733,000	1,650,412	(6,059,000)		60,445,000
Exercise of stock options	73,742	6,000	376,000					382,000
Purchase of fractional shares	(96)		(2,000)					(2,000)
Purchase of treasury stock					31,700	(348,000)		(348,000)
Net income				6,529,000				6,529,000
Dividends paid ($.35 per share)				(3,694,000)				(3,694,000)
Minimum pension liability, net of tax benefit of $1,957,000							$(3,198,000)	(3,189,000)
Balance, June 30, 1994	12,411,891	$1,241,000	$17,107,000	$51,371,000	1,682,112	$(6,407,000)	$(3,198,000)	$60,114,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Income Taxes

The Company adopted SFAS 109 effective July 1, 1993 and has applied the provisions of such statement retroactively to July 1, 1988. Accordingly, the consolidated financial statements have been restated to comply with the provisions of SFAS 109.

The effect of the retroactive restatement on stockholders' equity at July 1, 1992 was a reduction of $418,000. The following table summarizes the restatement impact of applying SFAS 109 on net income and earnings per share for the years ended June 30, 1993 and 1992:

	1993	1992
Net income as previously reported	$8,878,000	$6,771,000
Effect of SFAS 109 restatement	(352,000)	(82,000)
As restated	$8,526,000	$6,689,000
Per share amounts as previously reported	$ .81	$ .62
Effect of SFAS 109 restatement	(.03)	—
As restated	$ .78	$ .62

LIFO Discontinued

TULTEX CORPORATION

Statement of Changes in Stockholders' Equity

(In thousands of dollars except share data)	5% Preferred Stock	Series B Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Notes Receivable-Stock-holders	Total Stock-holders' Equity
Balance as of Dec. 28, 1991 as previously reported	$ 198		$28,862	$ 580	$ 121,876	$ (184)	$ 151,332
Adjustment for the cumulative effect on prior years of applying retroactively the new method of valuing inventories (Note 3)					5,759		5,759
Balance as of Dec. 28, 1991, as adjusted	198		28,862	580	127,635	(184)	157,091
Net income for the 53 weeks ended Jan. 2, 1993 (Note 3)					13,191		13,191
Series B, preferred stock issued (150,000 shares)		$15,000					15,000
Employee stock purchases			16	101		(30)	87
Collections - stockholders' notes receivable						114	114
Cash dividends on common stock ($.20 per share)					(5,649)		(5,649)
Cash dividends on preferred stock					(1,041)		(1,041)
Balance as of Jan. 2, 1993	198	15,000	28,878	681	134,136	(100)	178,793
Net income for the 52 weeks ended Jan. 1, 1994					5,903		5,903
Employee stock purchases			175	1,208		(11)	1,372
Collections - stockholders' notes receivable						61	61
Cash dividends on common stock ($.20 per share)					(5,797)		(5,797)
Cash dividends on preferred stock					(1,135)		(1,135)
Balance as of Jan. 1, 1994	198	15,000	29,053	1,889	133,107	(50)	179,197
Net income for the 52 weeks ended Dec. 31, 1994					8,950		8,950
Employee stock purchases			754	3,390		(4,144)	—
Collections - stockholders' notes receivable						728	728
Cash dividends on common stock ($.05 per share)					(1,490)		(1,490)
Cash dividends on preferred stock					(284)		(284)
Balance as of Dec. 31, 1994	$198	$15,000	$29,807	$5,279	$140,283	$(3,466)	$187,101

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Inventories

During the fourth quarter of 1993, the company changed its method of determining the cost of inventories from the LIFO method to the FIFO method. Under the current economic environment of low inflation, the company believes that the FIFO method will result in a better measurement of operating results. This change has been applied by retroactively restating the accompanying consolidated financial statements. Although this change in method did not materially impact net income for 1993, it decreased net income by $4,001,000 or 14 cents per share in 1992. The balances of retained earnings for the years ended December 28, 1991 and January 2, 1993 have been adjusted for the effect (net of income taxes) of applying retroactively the new method of valuing inventories.

Construction Contracts

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

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

17. Other Matters

During the first quarter of 1994, the Company changed its method of accounting from the completed contract method to the percentage-of-completion accounting method for its large machinery construction contracts for its European operations. This conforms the worldwide accounting to the U.S. reporting percentage-of-completion basis. Management believes that this method more appropriately reports revenue and costs in related accounting periods rather than recognizing substantially all revenue and cost at the time of shipment. Information with respect to the quarter and year ended December 25, 1993 has been restated to reflect this change in accounting. The effect of this restatement was to increase retained earnings at December 25, 1993 by $294. Net income for the year 1994 was increased by $650 ($.11 per share), net income for the year 1993 was decreased by $172 ($.03 per share), and net income for the year 1992 was increased by $523 ($.11 per share).

OTHER CHANGES IN RETAINED EARNINGS

In addition to opening balance adjustments, the retained earnings account is affected by direct charges and credits. The most frequent direct charges to retained earnings are net loss for the year, losses on treasury stock transactions, and cash or stock dividends. The most common direct credit to retained earnings is net income for the year. Direct charges and credits—other than net loss, net income, dividends, and stock splits—are summarized in Table 4-4. Examples of such charges and credits follow.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Charges				
Purchase or retirement of capital stock	51	55	50	66
Treasury stock issued for less than cost	36	39	32	40
Pension liability adjustment	7	19	13	8
Translation adjustment	12	15	15	7
Preferred stock accretion	5	6	7	9
Redemption of stock purchase rights	3	1	3	5
Other—Described	28	21	17	9
Credits				
Tax benefit on dividends paid to ESOP	20	21	20	12
Translation adjustment	12	5	4	7
Poolings of interests	9	5	4	6
Pension liability adjustment	12	2	4	9
Other—Described	17	21	17	20

Treasury Stock Transactions

H.B. FULLER COMPANY

Consolidated Statements of Stockholders' Equity

(Dollars in thousands, except share amounts)	Preferred Stock	Comon Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustment	Unearned Compensation Restricted Stock
Balances at November 30, 1991	$306	$ 9,138	$12,571	$189,686	$7,349	—
Stock options exercised	—	94	1,498	—	—	—
Retirement of common stock	—	(5)	(9)	(195)	—	—
Tax benefit from exercise of stock options	—	—	714	—	—	—
Net earnings—1992	—	—	—	35,622	—	—
Common stock dividend	—	4,598	—	(4,598)	—	—
Dividends paid:						
Preferred: $0.33 per share	—	—	—	(15)	—	—
Common: $0.46 per share	—	—	—	(6,404)	—	—
Change in foreign currency translation	—	—	—	—	4,690	—
Balances at November 30, 1992	306	13,825	14,774	214,096	12,039	—
Stock options exercised	—	76	809	—	—	—
Restricted stock issued, net	—	36	1,227	—	—	(1,263)
Amortization of unearned compensation	—	—	—	—	—	42
Retirement of common stock	—	(39)	(44)	(1,419)	—	—
Tax benefit from exercise of stock options	—	—	142	—	—	—
Net earnings—1993	—	—	—	9,984	—	—
Dividends paid:						
Preferred $0.33 per share	—	—	—	(15)	—	—
Common: $0.54 per share	—	—	—	(7,498)	—	—
Change in foreign currency translation	—	—	—	—	(7,682)	—
Balances at November 30, 1993	306	13,898	16,908	215,148	4,357	(1,221)
Stock options exercised	—	38	449	—	—	—
Restricted stock issued, net	—	38	1,368	—	—	(1,406)
Amortization of unearned compensation	—	—	—	—	—	180
Retirement of common stock	—	(39)	(51)	(1,418)	—	—
Tax benefit from exercise of stock options	—	—	233	—	—	—
Net earnings—1994	—	—	—	30,863	—	—
Dividends paid:						
Preferred: $0.33 per share	—	—	—	(15)	—	—
Common: $0.575 per share	—	—	—	(8,006)	—	—
Change in foreign currency translation	—	—	—	—	3,175	—
Balances at November 30, 1994	$306	$13,935	$18,907	$236,572	$7,532	$(2,447)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Purchase of Company Common Stock: The Minnesota Business Corporation Act and the Company's Articles of Incorporation require that repurchased stock is included in the authorized shares of the Company, but is not included in shares outstanding. The excess of cost over par value is charged proportionally to Additional Paid-In Capital and to Retained Earnings.

PHILLIPS-VAN HEUSEN CORPORATION

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock					
(In thousands, except share data)	Shares	$1 par Value	Additional Capital	Retained Earnings	Treasury Stock	Stockholders' Equity
February 2, 1992	25,518,344	$25,518	$ 24,285	$208,930	$(173,830)	$ 84,903
Issuance of common stock and repurchase of preferred stock	6,440,000	6,440	79,161			85,601
Stock options exercised	786,047	786	9,036			9,822
Net income				37,881		37,881
Cash dividends:						
Common stock				(3,556)		(3,556)
Preferred stock				(2,138)		(2,138)
Stock repurchased and cancelled	(40,223)	(40)	(1,060)			(1,100)
January 31, 1993	32,704,168	32,704	111,422	241,117	(173,830)	211,413
Stock options exercised	486,647	487	6,940			7,427
Net income				31,858		31,858
Cash dividends on common stock				(3,920)		(3,920)
Issue 150 shares from treasury					23	23
Stock repurchased and cancelled	(65)		(2)			(2)
January 30, 1994	33,190,750	33,191	118,360	269,055	(173,807)	246,799
Stock options exercised	148,471	148	2,493			2,641
Net income				30,015		30,015
Cash dividends on common stock				(3,984)		(3,984)
Retirement of treasury stock	(6,728,576)	(6,729)	(8,041)	(159,037)	173,807	0
Stock repurchased and cancelled	(335)		(11)			(11)
January 29, 1995	26,610,310	$26,610	$112,801	$136,049	$ 0	$275,460

RAYTHEON COMPANY

Statements of Stockholders' Equity

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Equity Adjustments	Retained Earnings
Balance at December 31, 1991	133,440	$133,440	$212,153	$(4,475)	$2,982,286
Net income					635,073
Dividends declared—$1.325 per share					(178,721)
Proceeds under common stock plans	1,881	1,881	68,503		
Treasury shares received on exercise of stock options	(161)	(161)	(6,988)		
Foreign exchange translation adjustments				(583)	
Pension adjustment				(2,010)	
Pooling of interests	500	500	(109)		2,445
Balance at December 31, 1992	135,660	135,660	273,559	(7,068)	3,441,083
Net income					692,991
Dividends declared—$1.40 per share					(189,827)
Proceeds under common stock plans	1,667	1,667	67,299		
Treasury shares purchased	(1,978)	(1,978)	(4,430)		(107,990)
Treasury shares received on exercise of stock options	(135)	(135)	(7,939)		
Foreign exchange translation adjustments				4,755	
Pension adjustment				213	
Balance at December 31, 1993	135,214	135,214	328,489	(2,100)	3,836,257
Net income					596,876
Dividends declared—$1.475 per share					(192,681)
Proceeds under common stock plans	932	932	42,408		
Treasury shares purchased	(12,669)	(12,669)	(33,307)		(758,933)
Treasury shares received on exercise of stock options	(155)	(155)	(4,800)		
Foreign exchange translation adjustments				(3,613)	
Pension adjustment				(3,750)	
Balance at December 31, 1994	123,322	$123,322	$332,790	$(9,463)	$3,481,519

SUN MICROSYSTEMS, INC.

Consolidated Statements of Stockholders' Equity

(In thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Currency Translation Adjustment	Total Stock-holders' Equity
Balances at June 30, 1991	101,408,840	$68	$ 904,966	$486,001	(5,048,999)	$(180,449)	$1,965	$1,212,551
Issuance of stock, net of employee repurchases	(216,504)	—	(133)	(68,812)	3,858,258	137,892	—	68,947
Net income	—	—	—	173,313	—	—	—	173,313
Tax benefit and other	—	—	24,033	—	—	—	6,238	30,271
Balances at June 30, 1992	101,192,336	68	928,866	590,502	(1,190,741)	(42,557)	8,203	1,485,082
Issuance of stock, net of employee repurchases	2,470,126	2	44,293	(24,362)	2,178,592	63,770	—	83,703
Treasury stock purchased	—	—	—	—	(7,935,874)	(214,883)	—	(214,883)
Conversion of convertible subordinated debentures	2,782,282	2	57,171	(16,901)	2,615,318	74,618	—	114,890
Net income	—	—	—	156,726	—	—	—	156,726
Tax benefit and other	—	—	23,476	—	—	—	(6,211)	17,265
Balances at June 30, 1993	106,444,744	72	1,053,806	705,965	(4,332,705)	(119,052)	1,992	1,642,783
Issuance of stock, net of employee repurchases	(50,544)	—	377	(22,654)	3,026,633	84,234	—	61,957
Treasury stock purchased	—	—	—	—	(11,236,803)	(294,427)	—	(294,427)
Net income	—	—	—	195,824	—	—	—	195,824
Tax benefit and other	—	—	12,388	—	—	—	9,798	22,186
Balances at June 30, 1994	106,394,200	$72	$1,066,571	$879,135	(12,542,875)	$(329,245)	$11,790	$1,628,323

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Stockholders' Equity

Common stock repurchase programs

In December 1990, the Board of Directors approved systematic common stock repurchase programs related to each of the 1990 Incentive Plan and 1990 Employee Stock Purchase Plan. In fiscal 1994, the Company repurchased 1,396,803 shares at a cost of approximately $34,355,000 under these programs (275,874 shares at a cost of approximately $7,495,000 in 1993).

In June 1992, the Board of Directors approved a plan to repurchase up to 7.5 million shares of the Company's common stock during fiscal 1993. Repurchases under this program were completed in May 1993 at a cost of approximately $202,675,000. In June 1993, the Board of Directors approved a plan to repurchase up to 10 million shares of the Company's common stock. Repurchases under this program were completed in November 1993 at a total cost of approximately $264,786,000.

When treasury shares are reissued, any excess of the average acquisition cost of the shares over the proceeds from reissuance is charged to retained earnings.

VARIAN ASSOCIATES, INC. (SEP)

Consolidated Statements of Stockholders' Equity

(Dollars in thousands except per share amounts)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock at Cost	Total
Balances, Fiscal Year-End, 1991	$19,119	$ 76,530	$330,829	$ —	$ 426,478
Net earnings for the year	—	—	38,656	—	38,656
Issuance of stock under omnibus stock and employee stock purchase plans (including tax benefit of $1,179)	536	15,546	—	—	16,082
Purchase of common stock	—	—	—	(54,468)	(54,468)
Retirement of treasury stock	(1,495)	(52,973)	—	54,468	—
Dividends declared ($0.175 per share)	—	—	(6,492)	—	(6,492)
Balances, Fiscal Year-End, 1992	18,160	39,103	362,993	—	420,256
Net earnings for the year	—	—	45,803	—	45,803
Issuance of stock under omnibus stock and employee stock purchase plans (including tax benefit of $3,845)	775	26,292	—	—	27,067
Purchase of common stock	—	—	—	(72,228)	(72,228)
Retirement of treasury stock	(1,593)	(65,395)	(5,240)	72,228	—
Dividends declared ($0.195 per share)	—	—	(6,837)	—	(6,837)
Balances, Fiscal Year-End, 1993	17,342	—	396,719	—	414,061
Net earnings for the year	—	—	79,358	—	79,358
Issuance of stock under omnibus stock and employee stock purchase plans (including tax benefit of $4,821)	839	26,753	—	—	27,592
Purchase of common stock	—	—	—	(63,669)	(63,669)
Retirement of treasury stock	(1,423)	(26,753)	(35,493)	63,669	—
Dividends declared ($0.23 per share)	—	—	(7,889)	—	(7,889)
Two-for-one stock split	17,221	—	(17,221)	—	—
Balances, Fiscal Year-End, 1994	$ 33,979	$ —	$ 415,474	$ —	$ 449,453

Tax Benefit from ESOP Dividends

SPX CORPORATION

Consolidated Statements of Stockholders' Equity

(Dollars in thousands except per share amounts)	Common Stock $10 Par Value	Paid In Capital	Retained Earnings	Other
Balance, December 31, 1991	$154,705	$60,008	$56,214	$(90,238)
Net income	—	—	14,860	—
Cash dividends ($.40 per share)	—	—	(5,541)	—
Net shares sold under stock option plans	655	191	—	—
Earned ESOP shares	—	—	—	2,044
Tax benefit on dividends paid to ESOP trust	—	—	199	—
Translation adjustment	—	—	—	(7,742)
Vesting of restricted stock	—	—	—	135
Balance, December 31, 1992	$155,360	$60,199	$65,732	$(95,801)
Net loss	—	—	(40,600)	—
Cash dividends ($.40 per share)	—	—	(5,040)	—
Net shares sold under stock option plans	198	82	—	—
Earned ESOP shares	—	(1,355)	—	3,046
Tax benefit on dividends paid to ESOP trust	—	—	190	—
Minority interest in SP Europe	—	—	—	(1,080)
Translation adjustment	—	—	—	(779)
Cumulative effect of change in ESOP accounting method, net of taxes (Note 2)	—	—	—	5,100
Vesting of restricted stock	—	—	—	135
Balance, December 31, 1993	$155,558	$58,926	$20,282	$(89,379)
Net income	—	—	14,100	—
Cash dividends ($.40 per share)	—	—	(5,131)	—
Net shares sold under stock option plans	920	390	—	—
Earned ESOP shares	—	(1,244)	—	4,692
Tax benefit on dividends paid to ESOP trust	—	—	160	—
Minority interest in SP Europe	—	—	—	(2,198)
Translation adjustment	—	—	—	1,481
Vesting of restricted stock	—	—	—	135
Balance, December 31, 1994	$156,478	$58,072	$29,411	$(85,269)

Change In Year End Of Subsidiaries

AMP INCORPORATED

Consolidated Statements of Shareholders' Equity

(in thousands)	Common Stock	Other Capital	Cumulative Translation Adjustments	Net Unrealized Investment Gains	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount
Balance at January 1, 1992	$12,480	$80,033	$120,713	$ —	$1,872,697	12,572	$172,880
Net income					290,338		
Cash dividends—76¢ per share					(160,417)		
Purchases of treasury stock						2,332	65,773
Distributions of treasury stock under Bonus Plans		1,233				(123)	(2,665)
Translation adjustments			(37,807)				
Balance at December 31, 1992	12,480	81,266	82,906	—	2,002,618	14,781	235,988
Net income					296,656		
Cash dividends—80¢ per share					(167,838)		
Purchases of treasury stock						135	3,771
Distributions of treasury stock under Bonus Plans		134				(88)	(2,431)
Translation adjustments			(14,539)				
Balance at December 31, 1993	12,480	81,400	68,367	—	2,131,436	14,828	237,328
Net income					369,398		
Cash dividends—84¢ per share					(176,177)		
Change in year-end for Asia/Pacific and Americas subsidiaries					5,034		
Purchases of treasury stock						336	10,800
Distributions of treasury stock under Bonus Plans		979				(160)	(4,697)
Translation adjustments			63,344				
Net unrealized investment gains				21,585			
Balance at December 31, 1994	$12,480	$82,379	$131,711	$21,585	$2,329,691	15,004	$243,431

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

The Company's Asia/Pacific and Americas subsidiaries changed their fiscal year-ends from November 30 to December 31 in 1994. In accordance with guidelines of the Securities and Exchange Commission, only twelve months of income and expense were included in the Consolidated Statement of Income. Results of operations for the additional month were credited directly to retained earnings. Cash flow activity for this same period has been reflected as a single line item in the operating activities section of the Consolidated Statements of Cash Flows.

Preferred Stock Accretion

CBS INC.

Consolidated Statement of Retained Earnings

(Dollars in millions, except per share amounts)	Year ended Dec. 31 1994	1993	1992
Balance at beginning of year	$2,441.9	$2,147.2	$2,092.3
Net Income	281.6	326.2	81.0
Cash dividends:			
Common stock (per share—1994, $.40; 1993, $.25; 1992, $.20)	(27.8)	(18.8)	(13.4)
Preference stock, Series B ($10.00 per share)	(10.3)	(12.5)	(12.5)
Retirement of common stock	(1,506.5)		
Accretion of preference stock, Series B, and other items	(1.2)	(.2)	(.2)
Balance at end of year	$1,177.7	$2,441.9	$2,147.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Preference Stock

The Company's certificate of incorporation provides authority for the issuance of 6.0 million shares of preference stock, $1 par value. In 1985, the Company issued 1.25 million shares of preference stock, specifically authorized and designated as $10 Convertible Series B Preference Stock. The net proceeds of the issuance was $123.1 million. The issue has an aggregate liquidation preference of $125.0 million. The difference between the redemption value and the net proceeds from the issue is being amortized to retained earnings over 10 years. Each share is entitled to receive cumulative cash dividends at the rate of $10 per year, payable in equal quarterly installments; is subject to mandatory redemption on August 1, 1995; and is convertible, at the option of the holder, into 3.4575 shares of common stock, which was adjusted from .6915 of a share due to the 5-for-1 split of common stock (note 12).

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 statements or may be made in the basic financial statements or notes thereto.

Table 4-5 summarizes the presentation formats used by the survey companies to present changes in additional paid-in capital.

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1994	1993	1992	1991
Statement of stockholders' equity	421	425	407	392
Statement of additional paid-in capital	7	6	6	7
Schedule in notes	74	74	79	79
No statement or schedule but changes disclosed	6	7	8	9
Balance unchanged during year	28	25	39	49
Subtotal	**536**	**537**	**539**	**536**
Additional paid-in capital account not presented	64	63	61	64
Total Companies	**600**	**600**	**600**	**600**

STOCK SPLITS

Chapter 7B of *Accounting Research Bulletin 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

	1994	1993	1992	1991
Ratio				
Less than three-for-two	3	9	1	5
Three-for-two (50%) to two-for-one	9	11	21	8
Two-for-one (100%)	27	27	39	29
Greater than two-for-one	9	2	6	2
Total Companies	**48**	**49**	**67**	**44**
Account charged				
Additional paid-in capital	23	21	28	19
Retained earnings	9	12	15	5
No charge	16	16	24	20
Total Companies	**48**	**49**	**67**	**44**

ALUMINUM COMPANY OF AMERICA

Statement of Shareholders' Equity

December 31	Preferred stock	Common stock	Additional capital	Translation adjustment	Retained earnings	Unfunded pension obligation	Treasury stock	Shareholders' equity
(in millions, except share amounts)								
Balance at end of 1991	$55.8	$88.8	$713.8	$(55.8)	$4,378.1	—	$(243.3)	$4,937.4
Net loss—1992					(1,139.2)			(1,139.2)
Cash dividends:								
Preferred @ $3.75 per share					(2.1)			(2.1)
Common @ $.80 per share					(136.8)			(136.8)
Stock issued: compensation plans			1.2		(10.7)		45.7	36.2
Stock issued: debt conversions							1.0	1.0
Translation adjustments				(92.2)				(92.2)
Balance at end of 1992	55.8	88.8	715.0	(148.0)	3,089.3	—	(196.6)	3,604.3
Net income—1993					4.8			4.8
Cash dividends:								
Preferred @ $3.75 per share					(2.1)			(2.1)
Common @ $.80 per share					(140.2)			(140.2)
Stock issued: compensation plans			.9		(3.0)		19.8	17.7
Stock issued: debt conversions					(2.7)		149.5	146.8
Minimum pension liability adjustments						$(7.0)		(7.0)
Translation adjustments				(40.5)				(40.5)
Balance at end of 1993	55.8	88.8	715.9	(188.5)	(2,946.1)	(7.0)	(27.3)	3,583.8
Net income—1994					375.2			375.2
Cash dividends:								
Preferred @ $3.75 per share					(2.1)			(2.1)
Common @ $.80 per share					(142.3)			(142.3)
Two-for-one stock split		89.3	(89.3)					—
Stock issued: compensation plans		.6	36.9		(3.0)		27.2	61.7
Minimum pension liability adjustments						3.0		3.0
Translation adjustments				119.9				119.9
Balance at end of 1994	$55.8	$178.7	$663.5	$(68.6)	$3,173.9	$(4.0)	$ (.1)	$3,999.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Common Stock Split

On November 11, 1994, the Board of Directors declared a two-for-one common stock split distributable on February 25, 1995 to shareholders of record at the close of business on February 3, 1995. In this report, all per share amounts and numbers of shares have been restated to reflect the stock split. In addition, an amount equal to the one dollar par value of the shares outstanding at December 31, 1994 has been transferred from additional capital to common stock.

AMERICAN GREETINGS CORPORATION

Consolidated Statement of Shareholders' Equity
Thousands of dollars except per share amounts

	Common Shares		Capital in Excess of Par Value	Treasury Stock	Cumulative Translation Adjustment	Retained Earnings	Total
	Class A	Class B					
BALANCE FEBRUARY 28, 1991	$29,554	$ 2,055	$115,028	$ (41,584)	$3,748	$547,805	$656,606
Net income						97,462	97,462
Cash dividends—$.38 per share						(26,475)	(26,475)
Exchange of shares	20	(20)					
Sale of shares under benefit plans, including tax benefits	353	5	6,439	3,112		(1,719)	8,190
Purchase of treasury shares	(25)	(25)		(1,816)			(1,866)
Translation adjustment					(4,299)		(4,299)
Retirement of treasury shares			(11,764)	11,764			
Issuance of stock in public offering	3,967		131,461				135,428
BALANCE FEBRUARY 29, 1992	33,869	2,015	241,164	(28,524)	(551)	617,073	865,046
Net income						112,288	112,288
Cash dividends—$.42 per share						(30,494)	(30,494)
Exchange of shares	(23)	23					
Sale of shares under benefit plans, including tax benefits	258	177	8,497	5,274		(2,921)	11,285
Purchase of treasury shares	(1)	(177)		(7,850)			(8,028)
Sale of treasury shares		89		2,948		777	3,814
Translation adjustment					(11,029)		(11,029)
Issuance of stock in acquisition	221		9,432				9,653
BALANCE FEBRUARY 28, 1993	34,324	2,127	259,093	(28,152)	(11,580)	696,723	952,535
Net income						113,702	113,702
Cash dividends—$.48 per share						(35,633)	(35,633)
Exchange of shares	16	(16)					
Sale of shares under benefit plans, including tax benefits	251	24	7,279	430			7,984
Purchase of treasury shares	(2)	(210)		(6,857)			(7,069)
Sale of treasury shares		418	8,551	5,509			14,478
Translation adjustment					(4,841)		(4,841)
Issuance of stock in acquisition	252		12,034				12,286
Issuance of 34,704,750 class A shares and 2,229,618 class B shares to effect two-for-one stock split	34,705	2,230	(37,765)	830			
BALANCE FEBRUARY 28, 1994	$69,546	$ 4,573	$249,192	$(28,240)	$(16,421)	$774,792	$1,053,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Common Shares and Stock Options

At February 28, 1993, common shares authorized consisted of 46,900,000 Class A and 3,958,242 Class B shares. On June 25, 1993, the shareholders approved increases in the authorized number of Class A and Class B shares to 93,800,000 and 7,916,484, respectively. On that date, the Board of Directors of the Corporation declared a two-for-one stock split of the Corporation's Class A and Class B common stock, to be effected in the form of a 100% share dividend. Such distribution was made on September 10, 1993, to shareholders of record at the close of business August 27, 1993. Class A shares have one vote per share and Class B shares have ten votes per share. If holders of Class B shares wish to sell their shares, they must first offer to sell the shares to the Corporation at the closing price of the Class A shares on the day preceding the making of such offer. If the Corporation elects not to purchase the shares offered, the Class B shareholder may convert the Class B shares into Class A shares, on a share-for-share basis. During 1994, the Corporation purchased 165,762 Class B shares (340,000 shares in 1993) from a Director of the Corporation at the then-current market price of the shares.

COMMERCIAL METALS COMPANY

Consolidated Statements of Stockholders' Equity

(In thousands, except share data)	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	
	Number of shares	Amount			Number of shares	Amount
Balance, September 1, 1991	12,100,064	$60,500	$2,515	$166,844	(1,522,445)	$(26,296)
Net earnings				12,510		
Cash dividends—$.39 per share				(5,515)		
Treasury stock acquired					(49,700)	(888)
Stock issued under stock option, purchase and bonus plans			(62)		138,087	2,389
Tax benefits related to stock option plan			107			
Balance, August 31, 1992	12,100,064	60,500	2,560	173,839	(1,434,058)	(24,795)
Net earnings				21,661		
Cash dividends—$.39 per share				(5,635)		
Treasury stock acquired					—	—
Stock issued under stock option, purchase and bonus plans			(302)		394,607	5,932
Tax benefits related to stock option plan			1,661			
Balance, August 31, 1993	12,100,064	60,500	3,919	189,865	(1,039,451)	(18,863)
Net earnings				26,170		
Cash dividends—$.46 per share				(6,705)		
Stock split, four-for-three	4,032,519	20,163	(3,830)	(16,333)	(346,318)	—
Treasury stock acquired					(748,100)	(17,120)
Stock issued under stock option, purchase and bonus plans			269		276,293	4,077
Tax benefits related to stock option plan			661			
Balance, August 31, 1994	16,132,583	$80,663	$1,019	$192,997	(1,857,576)	$(31,906)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Capital Stock

Common Stock

On November 22, 1993, the Board of Directors declared a four-for-three stock split in the form of a 33⅓% stock dividend on the Company's common stock payable December 27, 1993, to shareholders of record on December 6, 1993. All applicable share and per share data have been adjusted for the stock split.

GENERAL DYNAMICS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K (In Part): Shareholders' Equity

Stock Split. On March 4, 1994, the company's board of directors authorized a two-for-one stock split effected in the form of a 100 percent stock dividend distributed on April 11, 1994, to shareholders of record on March 21, 1994. Shareholders' equity has been restated to give retroactive recognition to the stock split in prior periods by reclassifying from retained earnings to common stock the par value of the additional shares arising from the split. In addition, all references in the financial statements to number of shares, per share amounts, stock option data and market prices of the company's common stock have been restated.

MICRON TECHNOLOGY, INC.

Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions) Fiscal year ended	Sept. 1, 1994 Shares	Sept. 1, 1994 Amount	Sept. 2, 1993 Shares	Sept. 2, 1993 Amount	Sept. 3, 1992 Shares	Sept. 3, 1992 Amount
Common stock						
Balance at beginning of year	40.1	$ 4.0	38.3	$ 3.8	37.3	$ 3.7
Stock sold	0.9	0.1	1.8	0.2	1.1	0.1
Stock split	60.9	6.1	—	—	—	—
Treasury stock retired	—	—	—	—	(0.1)	—
Balance at end of year	101.9	$ 10.2	40.1	$ 4.0	38.3	$ 3.8
Additional paid-in capital						
Balance at beginning of year		$ 353.3		$ 327.2		$ 315.1
Stock sold		9.8		18.2		10.4
Stock option plan		2.1		0.2		0.1
Tax effect of stock purchase plans		10.6		7.7		2.7
Stock split		(6.1)		—		—
Treasury stock retired		—		—		(1.1)
Balance at end of year		$ 369.7		$ 353.3		$ 327.2
Retained earnings						
Balance at beginning of year		$ 282.5		$ 180.3		$ 176.4
Net income		400.5		104.1		6.6
Dividends paid		(12.2)		(1.9)		(1.9)
Treasury stock retired		—		—		(0.8)
Balance at end of year		$ 670.8		$ 282.5		$ 180.3
Unamortized stock compensation						
Balance at beginning of year		$ (0.3)		$ (0.2)		$ (0.5)
Stock option plan		(2.1)		(0.2)		(0.1)
Stock compensation amortization		1.0		0.1		0.4
Balance at end of year		$ (1.4)		$ (0.3)		$ (0.2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Earnings per share: Earnings per share are computed using the weighted average number of common and common equivalent shares outstanding. Common equivalent shares result from the assumed exercise of outstanding stock options and affect earnings per share when they have a dilutive effect. On March 1, 1994, the company's board of directors announced a 5 for 2 stock split effected in the form of a stock dividend to shareholders of record as of April 1, 1994. A total of 60,942,448 additional shares were issued in conjunction with the stock split. The company distributed cash in lieu of fractional shares resulting from the stock split. The company's par value of $0.10 per share remained unchanged. As a result, $6.1 million was transferred from additional paid-in capital to common stock. All historical share and per share amounts have been restated to reflect retroactively the stock split.

STEPAN COMPANY

Consolidated Statements of Stockholders' Equity

(Dollars in Thousands)	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Cumulative Translation Adjustments	Deferred ESOP Compensation	Retained Earnings
Balance, January 1, 1992	$ —	$ 5,551	$ 3,565	$ (2,585)	$ 385	$ (667)	$ 84,617
Sale of 160,132 shares under stock option plan	—	80	949	—	—	—	—
Purchase of 104,846 shares of common treasury stock, net of sales	—	—	49	(2,034)	—	—	—
Issuance of preferred stock in exchange and retirement of 1,059,602 shares of common stock (Note 6)	20,000	(530)	(875)	—	—	—	(19,470)
Compensation expense	—	—	—	—	—	222	—
Net income	—	—	—	—	—	—	15,829
Cash dividends paid							
Preferred stock (31.0¢ per share)	—	—	—	—	—	—	(244)
Common stock (37.0¢ per share)	—	—	—	—	—	—	(3,928)
Translation adjustments	—	—	—	—	(1,408)	—	—
Balance, December 31, 1992	20,000	5,101	3,688	(4,619)	(1,023)	(445)	76,804
Sale of 23,800 shares under stock option plan	—	12	132	—	—	—	—
Purchase of 44 shares of common and 8,700 shares of preferred treasury stock, net of sales	—	—	93	(244)	—	—	—
Issuance cost of preferred stock	—	—	(140)	—	—	—	—
Conversion of preferred stock to common stock	(8)	—	8	—	—	—	—
Compensation expense	—	—	—	—	—	222	—
Net income	—	—	—	—	—	—	10,776
Cash dividends paid							
Preferred stock ($1.375 per share)	—	—	—	—	—	—	(1,097)
Common stock (40.5¢ per share)	—	—	—	—	—	—	(4,008)
Translation adjustments	—	—	—	—	(1,035)	—	—
Balance, December 31, 1993	19,992	5,113	3,781	(4,863)	(2,058)	(223)	82,475
Sale of 51,940 shares under stock option plan	—	27	290	—	—	—	—
Purchase of 4,222 shares of common and 11,508 shares of preferred treasury stock, net of sales	—	—	21	(327)	—	—	—
Retirement of 250,000 shares of common treasury stock	—	(125)	(121)	3,546	—	—	(3,300)
Conversion of preferred stock to common stock	(12)	—	12	—	—	—	—
Compensation expense	—	—	—	—	—	223	—
Net income	—	—	—	—	—	—	13,845
Cash dividends paid							
Preferred stock ($1.375 per share)	—	—	—	—	—	—	(1,076)
Common stock (42.5¢ per share)	—	—	—	—	—	—	(4,218)
Preferred stock dividends declared	—	—	—	—	—	—	(267)
Translation adjustments	—	—	—	—	(1,433)	—	—
Two-for-one common stock split (Note 6)	—	5,014	—	—	—	—	(5,014)
Balance, December 31, 1994	$ 19,980	$ 10,029	$ 3,983	$ (1,644)	$ (3,491)	$ —	$ 82,445

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Stockholders' Equity

On November 11, 1994, the Board of Directors declared a two-for-one stock split on the company's common stock in the form of a 100 percent stock dividend, payable December 15, 1994, to shareholders of record on December 1, 1994. As a result of the split, 5,014,272 additional shares were issued, and retained earnings were reduced by $5,014,272. All share and per share data appearing in the consolidated financial statements and notes thereto have been retroactively adjusted for the stock split.

CHANGES IN ADDITIONAL PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to additional paid-in capital. Examples of such credits and charges follow.

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1994	**1993**	**1992**	**1991**
Credits				
Common stock issued for:				
Employee benefits	402	382	364	361
Business combinations	34	37	30	30
Debt conversions/ extinguishments	26	33	30	26
Preferred stock conversions	28	19	22	21
Public offerings	42	52	70	31
Stock compensation tax benefits	84	83	70	57
Purchase or retirement of capital stock	5	8	10	13
Warrants issued or exercised	4	4	7	13
Other—Described	50	46	49	27
Charges				
Purchase or retirement of capital stock	77	71	79	97
Treasury stock issued for less than cost	61	70	72	77
Conversion of preferred stock	13	9	10	11
Stock Issue cost	3	7	9	4
Other—Described	67	60	50	45

Common Stock Issued in Connection With Employee Benefit Plans

HARRIS CORPORATION

NOTES TO FINANCIAL STATEMENTS

Shareholders' Equity

Changes in shareholders' equity accounts other than retained earnings are summarized as follows:

(In millions)	Common Stock Amount	Other Capital	Unearned Compensation	Cumulative Translation Adjustments
BALANCE AT JULY 1, 1991	$38.9	$196.5	$(8.9)	$ .2
Shares issued under Stock Option Plan (56,722 shares)	.1	1.5	—	—
Shares granted under Stock Incentive Plans (214,250 shares)	.2	5.3	(5.5)	—
Compensation expense	—	—	1.6	—
Termination of shares granted under Stock Incentive Plans (39,442 shares)	—	(1.3)	1.3	—
Shares sold under Employee Stock Purchase Plans (23,200 shares)	—	.4	—	—
Foreign currency translation adjustments	—	—	—	1.8
BALANCE AT JUNE 30, 1992	39.2	202.4	(11.5)	2.0
Shares issued under Stock Option Plan (299,811 shares)	.3	9.7	—	—
Shares granted under Stock Incentive Plans (228,750 shares)	.2	6.2	(6.5)	—
Compensation expense	—	—	7.3	—
Termination of shares granted under Stock Incentive Plans (75,192 shares)	(.1)	(2.3)	2.4	—
Shares sold under Employee Stock Purchase Plans (10,294 shares)	—	.3	—	—
Foreign currency translation adjustments	—	—	—	(15.0)
BALANCE AT JUNE 30, 1993	39.6	216.3	(8.3)	(13.0)
Shares issued under Stock Option Plan (315,747 shares)	.3	11.1	—	—
Shares granted under Stock Incentive Plans (257,909 shares)	.3	9.6	(9.8)	—
Compensation expense	—	—	10.7	—
Termination of shares granted under Stock Incentive Plans (126,638 shares)	(.1)	(4.1)	4.2	—
Shares sold under Employee Stock Purchase Plans (47,904 shares)	—	2.1	—	—
Foreign currency translation adjustments	—	—	—	(8.5)
Purchase and retirement of Common Stock for treasury (801,300 shares)	(.8)	(4.7)	—	—
BALANCE AT JUNE 30, 1994	$39.3	$230.3	$(3.2)	$(21.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options and Awards

The following information relates to stock option and incentive stock awards. Option prices are 100 percent of market value on the date the options are granted. Option grants are for a maximum of ten years after dates of grant and may be exercised in installments.

	Number of Shares	Option Prices Per Share
Exercised during the year:		
1992	56,722	$14.38 to $28.38
1993	411,538	$14.38 to $35.69
1994	504,203	$14.38 to $38.63
Granted during 1994	172,848	$40.88 to $52.25
Expired during 1994	2,000	$35.69
Terminations during 1994	20,546	$14.38 to $42.50
Outstanding at June 30, 1993	1,105,827	$14.38 to $38.63
Outstanding at June 30, 1994	751,926	$14.38 to $52.25
Exercisable at June 30, 1993	862,227	$14.38 to $38.63
Exercisable at June 30, 1994	581,660	$14.38 to $46.88

The Corporation has a stock incentive plan for directors and key employees. Awards under this plan may include the grant of performance shares, restricted stock, stock options, stock appreciation rights, or other stock-based awards. The aggregate number of shares of Common Stock which may be awarded under the plan in each fiscal year is one percent of the total outstanding shares of Common Stock plus shares available from prior years. Performance shares outstanding were 735,966 at June 30, 1994; 608,306 at June 30, 1993; and 454,748 at June 30, 1992. Shares of Common Stock reserved for future awards under the plan were 864,970 at June 30, 1994; 749,169 at June 30, 1993; and 668,841 at June 30, 1992.

Unearned compensation resulting from the stock incentive plan and charged to shareholders' equity was $10,646,000 in 1994, $6,434,000 in 1993 and $5,490,000 in 1992. Unearned compensation is amortized to expense over the vesting period of the performance shares and is adjusted for changes in the market value of the Common Stock.

Under the Corporation's domestic retirement plan, employees may purchase a limited amount of the Corporation's Common Stock at 70 percent of current market value. Under employee stock purchase plans, 47,904 shares were issued during fiscal 1994. Shares of Common Stock reserved for future purchases by the retirement plan were 1,460,497 at June 30, 1994.

OLIN CORPORATION

Consolidated Statements of Shareholders' Equity

	Common Stock		Additional	Cumulative		Preferred Stock		
($ in millions, except share data)	Shares Issued	Par Value	Paid-In Capital	Translation Adjustment	Retained Earnings	Series A Par Value	ESOP Par Value	ESOP Obligations
Balance at January 1, 1992	19,013,307	$19	$185	$ 3	$435	$ —	$99	$(75)
Net Income	—	—	—	—	9	—	—	—
Dividends Paid:								
Common Stock ($2.20 per share)	—	—	—	—	(41)	—	—	—
ESOP Preferred Stock ($5.97 per share)	—	—	—	—	(8)	—	—	—
Series A Conversion Preferred Stock ($3.64 per share)	—	—	—	—	(9)	—	—	—
Issuance of Series A Conversion Preferred Stock (2,760,000 shares)	—	—	108	—	—	3	—	—
Reduction in ESOP Obligations	—	—	—	—	—	—	—	15
Stock Options Exercised	45,305	—	1	—	—	—	—	—
Translation Adjustment	—	—	—	(4)	—	—	—	—
Other Transactions	11,163	—	2	—	2	—	(3)	—
Balance at December 31, 1992	19,069,775	19	296	(1)	388	3	96	(60)
Net Loss	—	—	—	—	(92)	—	—	—
Dividends Paid:								
Common Stock ($2.20 per share)	—	—	—	—	(42)	—	—	—
ESOP Preferred Stock ($5.97 per share)	—	—	—	—	(7)	—	—	—
Series A Conversion Preferred Stock ($3.64 per share)	—	—	—	—	(10)	—	—	—
Reduction in ESOP Obligations	—	—	—	—	—	—	—	16
Stock Options Exercised	19,418	—	1	—	—	—	—	—
Translation Adjustment	—	—	—	(3)	—	—	—	—
Other Transactions	13,077	—	—	(5)	1	—	(4)	—
Balance at December 31, 1993	19,102,270	19	297	(9)	238	3	92	(44)
Net Income	—	—	—	—	91	—	—	—
Dividends Paid:								
Common Stock ($2.20 per share)	—	—	—	—	(44)	—	—	—
ESOP Preferred Stock ($5.97 per share)	—	—	—	—	(7)	—	—	—
Series A Conversion Preferred Stock ($3.64 per share)	—	—	—	—	(10)	—	—	—
Issuance of Common Stock	2,213,750	2	96	—	—	—	—	—
Reduction in ESOP Obligations	—	—	—	—	—	—	—	17
Stock Options Exercised	87,102	—	3	—	—	—	—	—
Translation Adjustment	—	—	—	6	—	—	—	—
Other Transactions	113,468	—	4	—	1	—	(6)	—
Balance at December 31, 1994	21,516,590	$21	$400	$(3)	$269	$ 3	$86	$(27)

NOTES TO FINANCIAL STATEMENTS

Stock Options

Under the stock option plans, options may be granted to purchase shares of the company's common stock at not less than fair market value at the date of grant, and are exercisable for a period not exceeding ten years from that date. Stock option transactions are as follows:

	Shares	Option Price Per Share
Outstanding at January 1, 1992	735,022	$13.24–$65.00
Granted	148,125	53.00–63.60
Exercised	(45,305)	13.24–49.32
Canceled	(29,806)	30.82–53.50
Outstanding at December 31, 1992	808,036	22.14–65.00
Granted	147,030	43.25
Exercised	(19,418)	28.19–44.38
Canceled	(14,159)	43.25–53.50
Outstanding at December 31, 1993	921,489	22.14–65.00
Granted	134,074	52.00
Exercised	(87,102)	22.14–53.50
Canceled	(12,857)	43.25–53.50
Outstanding at December 31, 1994	955,604	$30.82–$65.00

Of the outstanding options at December 31, 1994, options covering 822,642 shares are currently exercisable.

At December 31, 1994, common shares reserved for issuance under these plans were 1,726,222 and under additional renumeration agreements were estimated to be 44,000.

PFIZER INC

Consolidated Statement of Shareholders' Equity

(millions)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Currency Translation Adjustment and Other	Employee Benefit Trust	Treasury Stock Shares	Treasury Stock Cost	Total
Balance January 1, 1992	332.4	$33.2	$212.5	$4,794.9	$ 157.8	$ —	(2.8)	$(172.1)	$5,026.3
Net income				810.9					810.9
Cash dividends declared				(486.5)					(486.5)
Debenture conversions	.8	.1	10.9						11.0
Currency translation adjustment					(112.5)				(112.5)
Stock option transactions	3.7	.4	142.1				(.1)	(17.4)	125.1
Purchase of common stock							(8.5)	(632.2)	(632.2)
Shares purchased from Retirement Annuity Plan							(.4)	(30.0)	(30.0)
Shares purchased from Savings and Investment Plan							—	(2.9)	(2.9)
Dividend reinvestment plan	.1	—	9.4						9.4
Balance December 31, 1992	337.0	33.7	374.9	5,119.3	45.3	—	(11.8)	(854.6)	4,718.6
Net income				657.5					657.5
Cash dividends declared				(536.1)					(536.1)
Currency translation adjustment					(13.6)				(13.6)
Stock option transactions	1.4	.2	41.9				—	.6	42.7
Purchase of common stock							(15.8)	(1,019.6)	(1,019.6)
Employee benefit trust transactions—net			63.2			(690.0)	10.0	631.1	4.3
Dividend reinvestment plan	.2	—	11.7						11.7
Balance December 31, 1993	338.6	33.9	491.7	5,240.7	31.7	(690.0)	(17.6)	(1,242.5)	3,865.5
Net income				1,298.4					1,298.4
Cash dividends declared				(594.6)					(594.6)
Currency translation adjustment					162.3				162.3
Stock option transactions	1.5	.1	63.1				—	1.0	64.2
Purchase of common stock							(8.5)	(511.2)	(511.2)
Employee benefit trust transactions—net			83.4			(59.3)			24.1
Dividend reinvestment plan	.2	—	11.8						11.8
Unrealized net gain on available-for-sale securities					2.0				2.0
Other			1.4						1.4
Balance December 31, 1994	340.3	$34.0	$651.4	$5,944.5	$ 196.0	$(749.3)	(26.1)	$(1,752.7)	$4,323.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Trust

In 1993, the Company sold 10 million shares of treasury stock to the Pfizer Inc. Grantor Trust (the Trust). The Trust will be used primarily to fund future obligations for previously approved Company benefit plans over its 15-year term. Common stock was acquired by the Trust from the Company in exchange for a promissory note valued at approximately $600 million at the date of sale. The amount, representing unearned employee benefits, is recorded as a deduction from shareholders' equity and is reduced as employee benefits are satisfied.

In 1994, .3 million shares were released from the Trust to satisfy employee stock options exercised and the Company's obligation under other employee benefit plans. Compensation costs related to the other employee benefit plans are recorded at fair market value at the date the shares are released.

Stock Option Plans and Performance Awards

Under the Stock and Incentive Plan, the Company may grant options to any employee, including officers, to purchase common stock at the market price on the date an option is granted. The options may be exercised subject to continued employment and certain other conditions. At December 31, 1994, options for 15,046,075 shares were exercisable. The Plan also provides for stock appreciation rights, stock awards or performance unit awards.

In 1994, under the terms of the Stock and Incentive Plan, restricted stock awards were made to several key employees. Restrictions generally expire over a three-year period from the date of grant. Under the award, 20,609 shares were outstanding at December 31, 1994.

In 1993, the shareholders approved amendments to the Plan for an additional 11 million shares to be made available for future grants of options. The following table summarizes information relative to the Plan:

(shares)	1994	1993	1992
Under option January 1	19,294,317	17,860,189	16,961,631
Granted (per share: $56.25 to $69.75 in 1994; $63.00 in 1993; $69.50 to $81.00 in 1992)	4,959,018	3,214,059	5,064,322
Exercised (per share: $18.25 to $65.25 in 1994; $14.00 to $65.25 in 1993; $14.00 to $65.25 in 1992)	(1,781,025)	(1,452,160)	(3,750,610)
Cancelled—available for future grants	(348,776)	(305,774)	(415,154)
Cancelled—not available for future grants	(20,055)	(21,997)	—
Under option December 31 (per share: $24.25 to $81.00 in 1994; $18.25 to $81.00 in 1993; $17.50 to $81.00 in 1992)	22,103,479	19,294,317	17,860,189
Available for grant December 31	4,892,581	9,502,823	1,411,108

The Performance-Contingent Share Award Program (the Program), established in 1993, provides executives and other key employees with the right to earn awards payable in shares of the Company's common stock. The actual payout of shares is determined using two performance criteria measuring the Company's performance relative to a determined industry peer group. The Program provides for up to 10 million shares to be awarded. At December 31, 1994, executives and other key employees had the right to earn up to 563,670 shares, although no shares have yet been issued. Actual issuances of shares can only occur when the performance period is completed and the criteria measured. Compensation cost to date related to the Program aggregated $7.5 million.

SPARTON CORPORATION

Consolidated Statements of Shareowners' Equity

	Common stock, $1.25 par value		Capital in excess of par value	Retained earnings	Total
	Shares	Amount			
Balance July 1, 1991	7,791,672	$9,739,590	$371,377	$42,196,685	$52,307,652
Net income				7,968,291	7,968,291
Balance June 30, 1992	7,791,672	9,739,590	371,377	50,164,976	60,275,943
Net income				6,637,942	6,637,942
Exercise of stock options	18,698	23,373	28,565		51,938
Balance June 30, 1993	7,810,370	9,762,963	399,942	56,802,918	66,965,823
Net income (loss)				(4,899,414)	(4,899,414)
Exercise of stock options	1,000	1,250	3,125		4,375
Balance June 30, 1994	7,811,370	$9,764,213	$403,067	$51,903,504	$62,070,784

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Stock options

The Company has an incentive stock option plan under which 400,000 common shares were reserved for option grants to key employees at the fair market value of the stock at the date of the grant. Under the plan, the options generally become exercisable cumulatively, beginning one year after the date granted, in equal annual installments. Individual grants may have a stock appreciation rights feature whereby optionees can surrender up to one-half of their unexercised options to the extent then exercisable in exchange for cash or common shares equal to the difference between the then current market value and the option prices for shares issuable upon surrender of such options. In addition, the plan permits the Company to award restricted stock to eligible employees, providing the recipient with limited ability to sell or otherwise transfer the restricted shares.

Information on options is as follows:

	Shares Under Option	Price Range
Outstanding at July 1, 1991	93,896	$2.69 to $4.38
Cancelled	(1,800)	4.38
Outstanding at June 30, 1992	92,096	2.69 to 4.38
Granted	71,000	6.63
Exercised (17,698 as stock appreciation rights)	(36,396)	2.69 to 4.38
Cancelled	(4,900)	4.38 to 6.63
Outstanding at June 30, 1993	121,800	4.38 to 6.63
Exercised	(1,000)	4.38
Cancelled	(9,200)	4.38 to 6.63
Outstanding at June 30, 1994	111,600	$4.38 to $6.63

At June 30, 1994 there were 286,400 shares reserved for option grants and 60,172 share options exercisable which expire in 1995 through 1999. The remaining 51,428 share options outstanding become exercisable beginning in 1995 and expire through 1999.

THE STANDARD REGISTER COMPANY

Consolidated Statement of Shareholders' Equity

(Dollars in thousands except per share amounts)	52 Weeks Ended January 1, 1995	52 Weeks Ended January 2, 1994	53 Weeks Ended January 3, 1993
Common Stock			
Beginning balance	$ 24,037	$ 23,986	$ 23,948
Add shares issued under Stock Incentive Plan	48	51	50
Less shares purchased and retired	—	—	(12)
Ending balance	$ 24,085	$ 24,037	$ 23,986
Class A Stock	$ 4,725	$ 4,725	$4,725
Capital in Excess of Par Value			
Beginning balance	$ 25,562	$ 24,705	$ 24,246
Add excess of market over par value of shares issued under Stock Incentive Plan	945	857	650
Less excess of cost over par value of shares purchased and retired	—	—	(191)
Ending balance	$ 26,507	$ 25,562	$ 24,705
Retained Earnings			
Beginning balance	$ 308,413	$284,901	$276,414
Add net income for year	43,876	42,185	26,010
Less cash dividends declared	(19,788)	(18,673)	(17,523)
Ending balance	$ 332,501	$308,413	$284,901
Treasury Shares			
Beginning balance	$ (1,754)		
Cost of common shares purchased	(2,098)	$ (1,754)	
Ending balance	$ (3,852)	$ (1,754)	
Total shareholders' equity	$ 383,966	$360,983	$338,317

Purchase Method Acquisitions

AVNET, INC.

Consolidated Statements of Shareholders' Equity

(Dollars in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance, June 30, 1991	$ 36,006	$ 134,432	$ 642,384	$ 1,129	$ (12,527)	$ 801,424
Net income		50,522				50,522
Dividends, $.60 per share		(21,298)				(21,298)
Cumulative translation adjustments				4,627		4,627
Other, net, principally stock option and incentive programs	37	1,198			711	1,946
Balance, June 30, 1992	36,043	135,630	671,608	5,756	(11,816)	837,221
Net income			69,060			69,060
Dividends, $.60 per share			(21,360)			(21,360)
Cumulative translation adjustments				(20,069)		(20,069)
Other, net, principally stock option and incentive programs	88	2,600			620	3,308
Balance, June 30, 1993	36,131	138,230	719,308	(14,313)	(11,196)	868,160
Net income			85,317			85,317
Dividends, $.60 per share			(24,359)			(24,359)
Cumulative translation adjustments				4,621		4,621
Acquisition of Hall-Mark Electronics (Note 15)	4,858	165,717				170,575
Other, net, principally stock option and incentive programs	115	3,202			884	4,201
Balance, July 1, 1994	$ 41,104	$ 307,149	$ 780,266	$ (9,692)	$ (10,312)	$ 1,108,515

NOTES TO FINANCIAL STATEMENTS

15. Acquisition of Hall-Mark Electronics Corporation

On July 1, 1993, the Company completed the acquisition of all of the stock of Hall-Mark Electronics Corporation, the nation's third largest distributor of electronic components, pursuant to an Agreement and Plan of Merger dated April 20, 1993. Each share of Hall-Mark common stock was exchanged for $20 in cash and 0.45 shares of Avnet common stock, which had a market value of $34.1875 per share on July 1, 1993. The total cost of the acquisition including expenses was approximately $496,559,000, consisting of the cost for the Hall-Mark common stock of $218,409,000 in cash, $166,093,000 in Avnet stock and $2,532,000 in Avnet stock options (net of related tax benefits of $1,950,000) and the cost for the refinancing of Hall-Mark bank debt of $109,525,000. The $327,934,000 of funding required to complete the transaction was financed through cash on hand, proceeds from the exercise of Hall-Mark options and warrants, and borrowings under a credit facility with NationsBank of North Carolina, N.A. The transaction was accounted for as a purchase. Had the acquisition been completed as of July 1, 1992, fiscal 1993 sales, net income and earnings per share for the Company on a proforma basis would have been $2,982,000,000, $79,000,000 and $1.93 per share, respectively (unaudited).

GUARDSMAN PRODUCTS, INC.

Consolidated Statements of Stockholders' Equity

(In Thousands, Except Per Share Amounts)	Common stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustments
Balance at December 31, 1991	$7,389	$30,480	$5,596	$537
Net income for 1992			1,978	
Cash dividends–$.41 per share			(3,048)	
Stock issued under employee and stockholder plans	64	559	(89)	
Foreign currency translation				(1,266)
Balance at December 31, 1992	7,453	31,039	4,437	(729)
Net income for 1993			4,671	
Cash dividends–$.32 per share			(2,400)	
Stock issued under employee and stockholder plans	101	1,057	(223)	
Stock issued for business acquired under pooling of interests	359	(359)	409	
Foreign currency translation				(453)
Balance at December 31, 1993	7,913	31,737	6,894	(1,182)
Net income for 1994			5,903	
Cash dividends–$.32 per share			(2,787)	
Stock issued under employee and stockholder plans	69	663	(61)	
Stock issued for business acquired	1,500	14,160		
Foreign currency translation				(383)
Balance at December 31, 1994	$9,482	$46,560	$9,949	$(1,565)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions of Businesses

On August 31, 1994, the Company purchased 100% of the stock of Moline Paint Manufacturing Co. (Moline). The consideration for the stock of Moline included 1.5 million shares of Guardsman Common Stock valued at $10.44 per share, approximately $6,000,000 in cash and the assumption of approximately $3,100,000 in outstanding debt of Moline. Moline is an industrial coatings manufacturer focusing on the agricultural/construction equipment and general industrial markets. Management intends to continue Moline's operations along substantially the same lines of business.

PRATT & LAMBERT UNITED INC.

Statements of Consolidated Shareholders' Equity

(Thousands of dollars, except per share amounts)	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Shares
Balance at December 31, 1991	$8,334	$ 8,366	$63,493	$498	$(25,632)
Net income	—	—	5,163	—	—
Cash dividends declared:					
Common stock—$.56	—	—	(3,100)	—	—
Common stock issued:					
8,000 shares upon the exercise of stock options	8	52	—	—	—
Current year translation adjustment	—	—	—	(658)	—
Balance at December 31, 1992	8,342	8,418	65,556	(160)	(25,632)
Net income	—	—	6,211	—	—
Cash dividends declared:					
Common stock—$.58	—	—	(3,224)	—	—
Common stock issued:					
56,375 shares upon the exercise of stock options	56	613	—	—	—
Tax benefits arising from the exercise of nonqualified stock options	—	44	—	—	—
Treasury shares acquired:					
10,850 shares of common stock from related parties	—	—	—	—	(200)
Current year translation adjustment	—	—	—	(250)	—
Balance at December 31, 1993	8,398	9,075	68,543	(410)	(25,832)
Net income	—	—	5,517	—	—
Cash dividends declared:					
Common stock—$.60	—	—	(4,855)	—	—
Common stock issued:					
5,000 shares upon the exercise of stock options	5	47	—	—	—
Change in stated par value of shares from $1 to $.01	(8,319)	8,319	—	—	—
4,999,989 shares in connection with the merger with United Coatings, Inc. (Note L)	50	80,575	—	—	—
17,000 shares upon the exercise of stock options	—	245	—	—	—
Current year translation adjustment	—	—	—	(962)	—
Balance at December 31, 1994	$ 134	$98,261	$69,205	$(1,372)	$(25,832)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Merger:

On August 4, 1994, the company acquired all of the outstanding stock of United Coatings, Inc., for 5,000,000 shares of Pratt & Lambert, Inc., common stock, approximately $17,000,000 in cash and the assumption of United's debt. United Coatings, which is a leading producer of paint for the private label market, had sales in 1993 of $176,719,000. The cash portion of the consideration was financed through a new revolving credit and term loan agreement (Note D). The merger was recorded under the purchase method of accounting and, accordingly, the company's operations for the period subsequent to the merger are included in the accompanying financial statements. The merger resulted in goodwill of approximately $96,200,000 and is being amortized over 40 years (Note A). The following pro forma results are unaudited and were prepared under the assumption that the transaction was effective at the beginning of each year presented (in thousands, except per share amounts):

	1994	1993	1992
Sales	$460,711	$418,480	$405,768
Net income	12,683	13,051	11,241
Earnings per common share and common equivalent share	$ 1.18	$ 1.22	$ 1.06
Earnings per common share—assuming full dilution	$ 1.18	$ 1.22	$ 1.06

Preferred Stock Conversion

CUMMINS ENGINE COMPANY, INC.

Consolidated Statement of Shareholders' Investment

Millions, except per share amounts	1994	1993	1992
Convertible preference stock, no par value, 1.0 shares authorized:			
Beginning balance (.2 shares)	$ 112.2	$114.9	$114.9
Converted to common stock or redeemed (.2 shares)	(112.2)	(2.7)	—
Ending balance	—	112.2	114.9
Common stock, $2.50 par value, 150.0 shares authorized:			
Beginning balance (40.6, 36.5 and 31.8 shares)	101.5	91.3	79.4
Retired (.1, .2 and .2 shares)	(.2)	(.6)	(.6)
Issued in public offerings (2.6 and 4.6 shares)	—	6.6	11.5
Conversion of preference stock and LYONs (2.9 and 1.1 shares)	7.2	2.8	—
Other (.4, .6 and .3 shares)	.9	1.4	1.0
Ending balance (43.8, 40.6 and 36.5 shares)	109.4	101.5	91.3
Additional contributed capital:			
Beginning balance	822.8	654.4	537.5
Retired	(4.7)	(9.9)	(7.3)
Issued in public offerings	—	117.9	114.6
Conversion of preference stock and LYONs	104.3	48.0	—
Other	4.8	12.4	9.6
Ending balance	927.2	822.8	654.4
Retained earnings (deficit):			
Beginning balance	4.1	(146.1)	48.0
Net earnings (loss) for the year	252.9	177.1	(189.5)
Cash dividends declared:			
Convertible preference stock	—	(8.0)	(8.0)
Common stock	(26.0)	(7.0)	(3.3)
Additional minimum liability for pensions	1.2	(11.9)	6.7
Ending balance	232.2	4.1	(146.1)
Common stock in treasury:			
Beginning balance (2.1 shares)	(67.3)	(67.3)	(67.3)
Stock repurchased (.1 shares)	(4.3)	—	—
Ending balance (2.2 and 2.1 shares)	(71.6)	(67.3)	(67.3)
Unearned ESOP compensation:			
Beginning balance	(59.3)	(63.5)	(67.9)
Shares allocated to participants	4.3	4.2	4.4
Ending balance	(55.0)	(59.3)	(63.5)
Cumulative translation adjustments:			
Beginning balance	(92.9)	(82.6)	(20.8)
Adjustments	23.3	(10.3)	(61.8)
Ending balance	(69.6)	(92.9)	(82.6)
Shareholders' investment	$1,072.6	$821.1	$501.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Preference Stock Redemption:
In 1994, the company called for redemption, at a price of $51.05 per depositary share, plus accrued dividends, all of its outstanding Convertible Exchangeable Preference Stock, which had a face value of $112.2 million at December 31, 1993. Holders of the stock elected to convert their shares into 2.9 million shares of common stock. Had the preference stock transaction occurred on January1, 1993, pro forma earnings per share would have approximated $4.63 in 1993.

Debt Conversions

HUGHES SUPPLY, INC.

Consolidated Statements of Shareholders' Equity
(dollars in thousands, except per share data)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock	
	Shares	Amount			Shares	Amount
Balance, January 31, 1992	5,453,249	$ 5,453	$ 22,410	$ 70,785	901,155	$(13,960)
Net income	—	—	—	2,478	—	—
Cash dividends- $.12 per share	—	—	—	(502)	—	—
Treasury shares issued	—	—	—	—	(100)	2
Balance, January 29, 1993	5,453,249	5,453	22,410	72,761	901,055	(13,958)
Net income	—	—	—	6,286	—	—
Cash dividends- $.16 per share	—	—	—	(724)	—	—
Issuance of treasury shares for EDI merger	(374,998)	(375)	(5,434)	—	(374,998)	5,809
Other acquisition	—	—	(1,557)	2,158	(101,368)	1,570
Treasury shares issued under stock option plans	—	—	—	(18)	(6,123)	95
Purchase and retirement of common shares	(2,581)	(2)	(9)	(38)	—	—
Balance, January 28, 1994	5,075,670	5,076	15,410	80,425	418,566	(6,484)
Net income	—	—	—	10,328	—	—
Cash dividends- $.22 per share	—	—	—	(1,290)	—	—
Treasury shares contributed to employee benefit plan	—	—	243	—	(16,597)	257
Conversion of subordinated convertible debentures into common stock	1,081,146	1,081	21,670	—	—	—
Treasury shares issued under stock option plans	—	—	—	(141)	(44,341)	687
Purchase and retirement of common shares	(8,217)	(8)	(35)	(170)	—	—
Acquisitions	—	—	434	—	(248,640)	3,852
Balance, January 27, 1995	6,148,599	$ 6,149	$ 37,722	$ 89,152	108,988	$ (1,688)

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

Note 2 (In Part): Notes and Debentures Payable

Consolidated notes and debentures payable consist of the following:

	January 27, 1995	January 28, 1994
7% Convertible subordinated debentures, due 2011	$ —	$22,960
Unsecured revolving bank notes under $130,000 credit agreement, payable June 30, 1997, fluctuating interest (6.0% to 6.1% at January 27, 1995)	61,025	45,375
Short-term instruments classified as long-term debt	34,803	26,500
Other notes payable	2,251	705
	98,079	95,540
Less current portion	(222)	(173)
	$ 97,857	$ 95,367

On March 8, 1994, the Company issued a call for redemption of its outstanding 7% convertible subordinated debentures to take place on April 7, 1994. Of the $22,960 debentures outstanding at January 28, 1994, $22,889, or 99.7% were converted into the Company's common stock at $21.17 per share or 47.2 common shares for each $1 face amount of debentures. This conversion resulted in the issuance of 1,081,146 common shares.

MATTEL, INC.

Consolidated Statements of Shareholders' Equity

(In thousands)	Common Stock	Additional Paid-In Capital	ESOP Treasury Stock	Currency Retained Earnings	Total Note Receivable	Deferred Compensation	Translation Adjustments	Shareholders' Equity
Balance, December 31, 1991	$ 89,634	$304,627	$(14,938)	$290,367	$(13,340)	$(4,725)	$ 12,609	$ 664,254
Net income				184,841				184,841
Three-for-two stock split	47,971	(47,971)						—
Purchase of treasury stock	(1,152)	(12,490)	(38,394)					(52,036)
Purchase of Fisher-Price warrants		(8,298)						(8,298)
Restricted stock activity		3,977				(3,617)		360
Amortization of deferred compensation						2,692		2,692
Exercise of stock options and warrants	907	18,061						18,968
Issuance of treasury stock		(4,990)	10,234					5,244
Dividends declared on common stock				(20,723)				(20,723)
Dividends declared on preference stock				(4,826)				(4,826)
Redemption of senior preferred stock		(5,489)		(1,059)				(6,559)
Utilization of net operating loss carryforwards		300						300
Collection of ESOP note receivable					4,920			4,920
Currency translation adjustments							(40,781)	(40,781)
Balance, December 31, 1992	137,360	247,727	(43,098)	448,600	(8,420)	(5,650)	(28,172)	748,356
Net income				117,208				117,208
Five-for-four stock split	34,343	(34,781)						(438)
Purchase of treasury stock			(52,558)					(52,558)
Conversion of 8% debentures		(9,540)	33,876					24,336
Restricted stock activity	688	13,308				(13,310)		686
Amortization of deferred compensation						5,957		5,957
Exercise of stock options	79	6,494						6,573
Issuance of treasury stock		(8,560)	14,430					5,870
Dividends declared on common stock				(28,911)				(28,911)
Dividends declared on preference stock				(4,894)				(4,894)
Cumulative effect of change in accounting principle		53,000						53,000
Termination of pre-quasi lease commitment		(41,120)						(41,120)
Collection of ESOP note receivable					4,920			4,920
Currency translation adjustments							(21,176)	(21,176)
Balance, December 31, 1993	172,470	226,528	(47,350)	532,003	(3,500)	(13,003)	(49,348)	817,809
Net income				255,832				255,832
Five-for-four stock split	44,653	(44,653)						—
Purchase of treasury stock			(80,885)					(80,885)
Conversion of 8% debentures	5,897	67,549						73,446
Restricted stock activity		1,915				13,003		14,918
Exercise of stock options	244	26,496						26,740
Issuance of treasury stock		(38,031)	74,423					36,392
Payment for tendered Fisher-Price warrants		(4,891)						(4,891)
Dividends declared on common stock				(45,618)				(45,618)
Dividends declared on preference stock				(4,689)				(4,689)
Collection of ESOP note receivable					3,500			3,500
Currency translation adjustments							(6,864)	(6,864)
Balance, December 31, 1994	$223,264	$234,913	$(53,812)	$737,528	$ —	$ —	$(56,212)	$1,085,690

NOTES TO FINANCIAL STATEMENTS

Note 5 (In Part): Shareholders' Equity

Conversion of 8% Debentures

During the 1994 first quarter, holders tendered $75.7 million of the 8% Debentures for conversion into 7.4 million common shares in response to the Company's Notice of Redemption. Holders had previously tendered $24.3 million par value of the 8% Debentures for conversion into 2.4 million common shares during the 1993 fourth quarter.

Public Offerings

FEDERAL-MOGUL CORPORATION

Consolidated Statements of Shareholders' Equity

(Millions of Dollars)	Series D Preferred Stock	Series C ESOP Preferred Stock	Unearned ESOP Compensation	Common Stock	Additional Paid-In Capital	Retained Earnings	Currency Translation and Other	Total
Balance at January 1, 1992		$ 62.3	$ (53.5)	$ 111.8	$ 17.3	$ 130.9	$ (9.8)	$ 259.0
Net loss						(83.7)		(83.7)
Issuance of preferred stock	$ 76.6							76.6
Exercise of stock options				.1	.3			.4
Retirement of preferred stock		(1.4)						(1.4)
Amortization of unearned compensation			4.3				.2	4.5
Dividends						(17.0)		(17.0)
Preferred dividend tax benefits					1.7			1.7
Currency translation							(8.6)	(8.6)
Pension adjustment							(.6)	(.6)
Balance at December 31, 1992	76.6	60.9	(49.2)	111.9	19.3	30.2	(18.8)	230.9
Net earnings						40.1		40.1
Issuance of common stock				33.9	91.0			124.9
Exercise of stock options				1.7	5.3			7.0
Retirement of preferred stock		(.7)						(.7)
Amortization of unearned compensation			4.6					4.6
Dividends						(23.9)		(23.9)
Preferred dividend tax benefits					1.6			1.6
Currency translation							(10.7)	(10.7)
Sale of business							2.4	2.4
Pension adjustment							(5.1)	(5.1)
Balance at December 31, 1993	76.6	60.2	(44.6)	147.5	117.2	46.4	(32.2)	371.1
Net earnings						63.3		63.3
Issuance of common stock				28.8	162.5			191.3
Exercise of stock options				1.6	6.1			7.7
Repurchase of common stock				(3.0)	(9.6)			(12.6)
Retirement of preferred stock		(1.1)						(1.1)
Amortization of unearned compensation			4.8				.2	5.0
Dividends						(27.7)		(27.7)
Preferred dividend tax benefits					1.6			1.6
Currency translation							(6.3)	(6.3)
Pension adjustment							4.9	4.9
Balance at December 31, 1994	$ 76.6	$ 59.1	$ (39.8)	$ 174.9	$ 277.8	$ 82.0	$ (33.4)	$ 597.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Capital Stock and Preferred Share Purchase Rights

The company's articles of incorporation authorize 60,000,000 shares of common stock, of which 34,987,810 shares, 29,497,994 shares and 22,391,154 shares were outstanding at December 31, 1994, 1993 and 1992, respectively. In February 1994, the company sold in a public offering 5,750,000 shares of its common stock which generated net proceeds of approximately $191 million. The proceeds were used to repay bank debt outstanding, including debt incurred for the acquisition of SPR. In April 1993, the company sold 6,250,000 shares of its common stock in a public offering with net proceeds of approximately $116 million that were used to repay a portion of the debt incurred with the 1992 acquisition of AAB. Simultaneously, the company issued 500,000 additional shares, valued at approximately $9.6 million, to contribute to the company's domestic pension plans.

SERVICE CORPORATION INTERNATIONAL

Consolidated Statement of Stockholders' Equity

(Dollars in thousands, except per share amounts)	Common stock	Capital in excess of par value	Retained earnings	Unrealized (depreciation) of investments	Foreign translation adjustment
Balance at December 31, 1991	$ 75,981	$ 369,942	$ 168,371	$ —	$ 1,482
Add (deduct):					
Net income			85,536		
Repurchase of common stock	(398)	(1,974)	(4,197)		
Common stock issued:					
Stock option exercises and stock grants	589	9,150			
Acquisitions	733	12,120			
Dividends on common stock ($.39 per share)			(30,213)		
Unrealized depreciation of investments				(1,254)	
Foreign translation adjustment					(3,771)
Balance at December 31, 1992	76,905	389,238	220,497	(1,254)	(2,289)
Add (deduct):					
Net income			101,061		
Repurchase of common stock	(66)	(388)	(1,183)		
Common stock issued:					
Stock option exercises and stock grants	995	18,899			
Acquisitions	1,418	17,432	(1,422)		
Debenture conversion	5,607	92,721			
Dividends on common stock ($.40 per share)			(34,074)		
Unrealized depreciation of investments				1,254	
Foreign translation adjustment					(838)
Balance at December 31, 1993	84,859	517,902	284,879	—	(3,127)
Add (deduct):					
Net income			131,045		
Retirement of common stock	(32)	(773)			
Common stock issued:					
Common stock offering	7,700	182,026			
Stock option exercises and stock grants	226	3,675			
Acquisitions	2,033	7,458	2,729		
Debenture conversion	71	1,222			
Dividends on common stock ($.42 per share)			(37,144)		
Foreign translation adjustment					4,525
Gain on sale of subsidiary stock and other		7,348			
Balance at December 31, 1994	$ 94,857	$ 718,858	$ 381,509	$ —	$ 1,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Ten (In Part): Stockholders' Equity

The Company is authorized to issue 1,000,000 shares of preferred stock, $1 per share par value. No shares were issued as of December 31, 1994. At December 31, 1994, 200,000,000 common shares of one dollar par value were authorized, 94,857,060 shares were issued and outstanding (84,859,110 at December 31, 1993), net of 16,875 shares held, at cost, in treasury (18,830 at December 31, 1993).

In December 1994 the Company sold, through an underwritten public offering, 7,700,000 common shares at a net $24.70 per share. In January 1995, an additional 780,000 common shares were sold, also at a net $24.70 per share, pursuant to an underwriters over-allotment provision. The net proceeds of these offerings were used to repay existing bank debt.

TEMTEX INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity
(Dollars in thousands)

	Common Stock Outstanding				
	Shares	Amount	Additional Capital	Retained Earnings (Deficit)	Cost of Treasury Stock
Balance at September 1, 1991	2,456,641	$ 514	$ 2,886	$ 14	$ 327
Net loss				(365)	
Balance at August 31, 1992	2,456,641	514	2,886	(351)	327
Net income				1,587	
Balance at August 31, 1993	2,456,641	514	2,886	1,236	327
Stock offering	1,000,000	200	6,329		
Net income				4,078	
Balance at August 31, 1994	3,456,641	$ 714	$ 9,215	$ 5,314	$ 327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Income (Loss) Per Common Share: Income per common share for 1994 and 1993 is based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Common stock equivalents include options granted to key employees and outside directors (see Note F). The number of common stock equivalents was based on the number of shares issuable on the exercise of options reduced by the number of common shares that are assumed to have been purchased at the average price of the common stock during the year with the proceeds from the exercise of the options. Fully diluted income per common share is not presented because dilution is not significant.

Loss per common share for 1992 is based upon the weighted average number of common shares outstanding. In 1992, options are not included as common stock equivalents as their effect is antidilutive.

On December 17, 1993, the Company completed the sale of 1,000,000 shares of its common stock in a public offering. A portion of the proceeds of the sale were used to repay borrowings under the Company's revolving credit agreement and long-term debt. If the common stock offering had occurred on September 1, 1993, the effect on earnings per share would not be significant.

Note B (In Part): Public Offering and Nonrecurring Items

In December 1993, the Company completed a secondary stock offering in which 1,000,000 shares of common stock were issued which provided the Company with approximately $6,529,000 net of expenses.

Private Offering

MAXTOR CORPORATION

Consolidated Statements of Stockholders' Equity

(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Notes Receivable From Stockholders	Total Stockholders' Equity
	Shares	Amount				
Balance, March 30, 1991	23,096,417	$ 232	$ 137,157	$ 2,579	$ (325)	$ 139,643
Issuance of common stock under stock option plans	349,929	3	2,034	—	(291)	1,746
Payments on and forgiveness of notes receivable from stockholders	—	—	—	—	187	187
Issuance of common stock under stock purchase plan	565,885	5	1,437	—	—	1,442
Adjustment to common stock held by Standard Chartered Bank	—	—	5,618	—	—	5,618
Net income	—	—	—	7,149	—	7,149
Balance, March 28, 1992	24,012,231	240	146,246	9,728	(429)	155,785
Issuance of common stock under stock option plans and related tax benefit	2,075,738	21	12,767	—	(167)	12,621
Payments on and forgiveness of notes receivable from stockholders	—	—	—	—	379	379
Issuance of common stock under stock purchase plan	721,308	7	3,249	—	—	3,256
Adjustment to common stock held by Standard Chartered Bank	—	—	1,505	—	—	1,505
Issuance of common stock from exercise of stock rights	2,000,000	20	(20)	—	—	—
Net income	—	—	—	46,112	—	46,112
Balance, March 27, 1993	28,809,277	288	163,747	55,840	(217)	219,658
Issuance of common stock under stock option plans and related tax benefits	792,920	8	3,362	—	—	3,370
Payments on and forgiveness of notes receivable from stockholders	—	—	—	—	90	90
Issuance of common stock under stock purchase plan	823,045	8	4,307	—	—	4,315
Issuance of Class A common stock	19,480,000	195	149,148	—	—	149,343
Net loss	—	—	—	(257,589)	—	(257,589)
Balance, March 26, 1994	49,905,242	$ 499	$ 320,564	$ (201,749)	$ (127)	$ 119,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Hyundai Investment

In August 1993, the Company signed a letter of intent for the creation of a strategic relationship with Hyundai Electronics Industries Co., Ltd. and several related members of the Hyundai Business Group (Hyundai). In September 1993, the Company signed the Stock Purchase Agreement (the Agreement) with Hyundai. Conclusion of the transaction was conditional upon approval of the U.S. and Korean governments, Maxtor stockholders and a number of other conditions. In November 1993, the U.S. government provided all necessary approvals. In December 1993, Maxtor stockholders approved all matters submitted to them regarding the proposed investment. At the end of January 1994, Korean government approval was granted. The transaction closed on February 3, 1994.

Under the terms of the Agreement, Hyundai invested approximately $150 million in the Company and received approximately 19.5 million shares of Class A common stock, representing a per share price of $7.70, and constituting approximately 40% of the Company's outstanding voting stock at that date. Each share of Class A common stock converts, at the option of the holder, into one share of the Company's common stock, subject to certain adjustments. Further, automatic conversion into shares of the Company's common stock will occur upon the sale or other disposition of Class A common stock to a person or entity other than Hyundai, as defined in the Agreement. The stock issued to Hyundai is a special series of common stock, entitling Hyundai to representation on the Company's Board of Directors proportionate to its share of ownership and certain voting rights. In addition, the Agreement requires the Company's Board of Directors to elect the director designated by Hundai as Chairman of the Board, which occurred in February 1994. The Agreement also provides that Hyundai may not acquire more than 45% of the Company except in a tender for all outstanding shares or in certain other cases.

Income Tax Benefit From Issuance Of Stock To Employees

AST RESEARCH, INC.

Consolidated Statements of Shareholders' Equity

	Common Stock		Additional	Retained
(In thousands)	Shares	Amount	Capital	Earnings
Balance at June 28, 1991	30,228	$302	$187,920	$173,940
Exercise of stock options	607	6	2,771	—
Tax benefit related to employee stock options	—	—	9,042	—
Vesting of restricted stock	—	—	782	—
Cancellation of restricted stock	(48)	—	—	—
Net income	—	—	—	68,504
Balance at June 27, 1992	30,787	308	120,515	242,444
Exercise of stock options	867	9	4,939	—
Tax benefit related to employee stock options	—	—	3,980	—
Vesting of restricted stock	—	—	450	—
Cancellation of restricted stock	(75)	(1)	(100)	—
Net loss	—	—	—	(53,738)
Balance at July 3, 1993	31,579	316	129,784	188,706
Exercise of stock options and warrants	755	7	9,554	—
Tax benefit related to employee stock options	—	—	1,823	—
Vesting of restricted stock	—	—	263	—
Net income	—	—	—	53,501
Balance at July 2, 1994	32,334	$323	$141,424	$242,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Capital Stock

The Company follows the practice of recording amounts received upon the exercise of options by crediting common stock and additional capital. No charges are reflected in the consolidated statements of operations as a result of the grant or exercise of stock options. The Company realizes an income tax benefit from the exercise or early disposition of certain stock options. This benefit results in a decrease in current income taxes payable and an increase in additional capital.

SEAGATE TECHNOLOGY

Consolidated Statements of Shareholders' Equity

in thousands	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Common Stock	Deferred Compen-sation	Foreign Currency Translation Adjustment	Retained Earnings	Total
Balance at July 1, 1991	65,142	$ 651	$275,572	$	$(8,291)	$ 319	$498,089	$ 766,340
Sale of stock	3,396	34	23,890					23,924
Deferred compensation, adjustments	(250)	(3)	(3,685)		3,685			(3)
Purchase of treasury stock at cost				(793)				(793)
Amortization of deferred compensation					2,303			2,303
Income tax benefit from stock options exercise			6,117					6,117
Foreign currency translation adjustment						997		997
Net Income							63,183	63,183
Balance at June 30, 1992	68,288	682	301,894	(793)	(2,303)	1,316	561,272	862,068
Sale of stock	2,372	24	20,129					20,153
Purchase of treasury stock at cost				(36,602)				(36,602)
Retirement of treasury stock	(2,505)	(25)	(10,576)	37,395			(26,794)	
Amortization of deferred compensation					1,843			1,843
Income tax benefit from stock options exercised			4,122					4,122
Foreign currency translation adjustment						(1,777)		(1,777)
Net Income							195,434	195,434
Balance at July 2, 1993	68,155	681	315,569	—	(460)	(461)	729,912	1,045,241
Sale of stock	3,940	40	37,796					37,836
Amortization of deferred compensation					460			460
Income tax benefits, primarily from stock options exercised			19,938					19,938
Merger with Crystal Computer Services, Inc.	737	7	(7)				397	397
Foreign currency translation adjustment						(583)		(583)
Net Income							225,110	225,110
Balance at July 1, 1994	72,832	$ 728	$373,296	$ —	$ —	$(1,044)	$955,419	$1,328,399

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

The provision for income taxes consisted of the following:

In thousands	1994	1993	1992
Federal			
Current	$40,280	$35,687	$17,750
Deferred	34,351	26,077	(2,291)
	74,631	61,764	15,459
State			
Current	13,907	13,526	571
Deferred	(894)	(2,669)	2,143
	13,013	10,857	2,714
Foreign			
Current	8,981	1,223	3,015
Deferred	(149)	2,158	1,011
	8,832	3,381	4,026
Provision for Income Taxes	$96,476	$76,002	$22,199

The income tax benefits related to the exercise of stock options reduces taxes currently payable and is credited to additional paid-in capital. Such amounts approximated $19,938,000, $4,122,000 and $6,117,000 for 1994, 1993 and 1992, respectively.

Treasury Stock Retired

DANA CORPORATION

Statement of Shareholders' Equity
in millions except par value

	$1 Par Value Common Stock Issued	Treasury	Additional Paid-In Capital	Retained Earnings	Deferred Pension and Translation Adjustments	Shareholders' Equity
Balance, December 31, 1991	$59.6	$(611.0)	$329.8	$1,255.2	$(45.0)	$988.6
Net loss for the year				(382.0)		(382.0)
Cash dividends declared				(69.8)		(69.8)
Issuance of shares for employee stock plans	.3	1.0	7.7			9.0
Deferred translation adjustments					(26.9)	(26.9)
Issuance of common shares	4.5		184.6			189.1
Cost of shares reacquired		(1.0)				(1.0)
Balance, December 31, 1992	64.4	(611.0)	522.1	803.4	(71.9)	707.0
Net income for the year				79.6		79.6
Cash dividends declared				(73.8)		(73.8)
Issuance of shares for employee stock plans	.4	1.5	14.2			16.1
Deferred translation adjustments					(20.6)	(20.6)
Conversion of 5 7/8% debentures to common stock	2.9		92.0			94.9
Cost of shares reacquired		(1.8)				(1.8)
Balance, December 31, 1993	67.7	(611.3)	628.3	809.2	(92.5)	801.4
Net income for the year				228.2		228.2
Cash dividends declared				(82.0)		(82.0)
Two-for-one common stock split	67.7			(67.7)		
Issuance of shares for director and employee stock plans	.3	1.6	6.2			8.1
Deferred translation adjustments					7.6	7.6
Deferred pension expense adjustments					(22.8)	(22.8)
Cost of shares reacquired		(.7)				(.7)
Retirement of treasury shares	(36.9)	610.4	(573.5)			
Balance, December 31, 1994	$98.8	$ - 0 -	$61.0	$887.7	$(107.7)	$939.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions)

Common Shares

In June 1992, Dana sold 9,087,600 (4,543,800 pre-split) shares of common stock through a public offering. Proceeds to the Company were approximately $189.1 which were used primarily to retire debt.

In connection with employee stock plans, Dana reacquired 52,496 shares in 1992, 68,246 shares in 1993 and 23,570 in 1994.

In April 1994, Dana's Board of Directors approved a two-for-one stock split effective for shareholders of record on June 1, 1994. Share and per share amounts have been restated to reflect the stock split.

During 1994, Dana retired all of the common shares held in treasury. The cost of reacquired shares in excess of par value has been charged to additional paid-in capital.

Change In Par Value

AMETEK, INC.

Consolidated Statement of Stockholders' Equity

(Dollars in thousands)	1994	1993	1992
Capital Stock			
Preferred Stock, $1.00 par value (authorized 5,000,000 shares), none issued	$ —	$ —	$ —
Common Stock, $.01 par value ($1.00 par value-1993 and 1992), (authorized 100,000,000 shares):			
Balance at the beginning of the year	46,414	46,414	46,414
Common stock retirement	(6,988)	—	—
Reduction in par value from $1.00 per share to $.01 per share	(39,054)	—	—
Balance at the end of the year	372	46,414	46,414
Capital in Excess of Par Value			
Balance at the beginning of the year	6,389	5,679	4,428
Employee stock options and savings plan	976	571	1,251
Reduction in par value of common stock	39,054	—	—
Common stock retirement	(39,607)	—	—
Other	570	139	—
Balance at the end of the year	7,382	6,389	5,679
Retained Earnings			
Balance at the beginning of the year	161,297	193,724	179,358
Net income (loss)	31,000	(7,332)	44,357
Cash dividends paid	(8,910)	(25,095)	(29,991)
Common stock retirement	(72,237)	—	—
Balance at the end of the year	111,150	161,297	193,724
Net Unrealized Losses			
Foreign currency translation:			
Balance at the beginning of the year	(20,163)	(12,205)	3,922
Translation adjustments	4,015	(7,958)	(16,127)
Balance at the end of the year	(16,148)	(20,163)	(12,205)
Pension liability in excess of unrecognized prior service cost:			
Balance at the beginning of the year	(4,731)	(4,224)	(1,056)
Adjustments for the year	340	(507)	(3,168)
Balance at the end of the year	(4,391)	(4,731)	(4,224)
Other (principally valuation allowance for marketable securities):			
Balance at the beginning of the year	3,262	—	—
(Depreciation) appreciation in marketable securities	(2,547)	1,864	—
Other	(1,398)	1,398	—
Balance at the end of the year	(683)	3,262	—
Balance at the end of the year	(21,222)	(21,632)	(16,429)
Treasury Stock			
Balance at the beginning of the year	(27,142)	(19,116)	(21,587)
Employee stock options and savings plan	2,557	744	2,137
Purchase of treasury stock	—	(8,878)	—
Other	63	108	334
Balance at the end of the year	(24,502)	(27,142)	(19,116)
Total Stockholders' Equity	$ 73,180	$165,326	$210,272

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Stockholders' Equity

At the Annual Meeting of Stockholders on April 26, 1994, the Company's shareholders approved a reduction in the par value of the Company's common stock from $1.00 per share to $.01 per share. This change resulted in a transfer of $39.1 million from the common stock account to the capital in excess of par value account.

PALL CORPORATION

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Stock Option Loans	Unrealized Losses on Investment	Total Stock-holders' Equity
Balance at August 3, 1991	$14,605	$45,780	$423,869	$ —	$ 3,744	$ —	$(2,859)	$ —	$485,139
Net earnings			92,708						92,708
Cash dividends declared			(30,075)						(30,075)
Three-for-two stock split (including $25 paid for fractional shares)	7,317	(7,342)							(25)
Issuance of stock pursuant to exercise of stock options, 329 shares	82	5,088	(618)	1,313					5,865
Purchase of 1,357 shares of common stock				(35,066)					(35,066)
Foreign currency translation adjustment					28,274				28,274
Change in stock option loans							(1,225)		(1,225)
Balance at August 1, 1992	22,004	43,526	485,884	(33,753)	32,018	—	(4,084)	—	545,595
Net earnings			78,312						78,312
Cash dividends declared			(35,642)						(35,642)
Four-for-three stock split (including $26 paid for fractional shares)	7,334	(7,360)							(26)
Issuance of stock pursuant to exercise of stock options, 402 shares			(4,147)	8,790					4,643
Foreign currency translation adjustment					(44,879)				(44,879)
Minimum pension liability adjustment						(4,996)			(4,996)
Change in stock option loans							(129)		(129)
Balance at July 31, 1993	29,338	36,166	524,407	(24,963)	(12,861)	(4,996)	(4,213)	—	542,878
Net earnings			98,922						98,922
Cash dividends declared			(41,336)						(41,336)
Reduction of par value from $.25 per share to $.10 per share	(17,603)	17,603							—
Issuance of stock pursuant to exercise of stock options, 1,040 shares			(9,605)	20,009					10,404
Purchase of 1,776 shares of common stock				(30,190)					(30,190)
Foreign currency translation adjustment					11,045				11,045
Minimum pension liability adjustment						285			285
Change in stock option loans							(4,219)		(4,219)
Unrealized losses on investments								(583)	(583)
Balance at July 30, 1994	$11,735	$53,769	$572,388	$(35,144)	$(1,816)	$(4,711)	$(8,432)	$(583)	$587,206

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

Reduction in Par Value and Increase in Number of Authorized Shares:

At the annual meeting held on November 18, 1993, the shareholders approved an amendment to the Certificate of Incorporation reducing the par value of the common stock from $.25 per share to $.10 per share, and increasing the number of authorized shares of common stock from 200 million to 500 million. As a result of the reduction in par value, the common stock account was reduced by $17,603,000 and the capital in excess of par value account was increased by the same amount.

Put Options

THE NEW YORK TIMES COMPANY

Consolidated Statements of Stockholders' Equity

Dollars in thousands except per share data	Capital Stock					
	5 1/2% Preference	Class A Common	Class B Common	Additional Capital	Earnings Reinvested in the Business	Common Stock Held in Treasury, at cost
Balance, January 1, 1992	$1,784	$8,770	$57	$178,080	$1,158,977	$(272,442)
Net loss					(44,709)	
Dividends, preference - $5.50 per share					(98)	
Dividends, common -$.56 per share					(43,987)	
Issuance of shares:						
Retirement units, etc.-19,576 Class A shares from treasury				(491)		524
Employee stock purchase plan - 1,069,743 Class A shares		1		(16,432)		34,311
Stock options-252,435 Class A shares		34		3,771		(1,900)
Foreign currency translation					(4,836)	
Balance, December 31, 1992	1,784	8,805	57	164,928	1,065,347	(239,507)
Net income					6,123	
Dividends, preference-$5.50 per share					(98)	
Dividends, common - $.56 per share					(47,003)	
Issuance of shares:						
The Globe acquisition - 36,397,313 Class A shares		1,940		432,624		440,337
Retirement units, etc.-10,877 Class A shares from treasury				123		339
Employee stock purchase plan - 819,166 Class A shares				(2,612)		20,329
Stock options - 185,611 Class A shares		23		4,695		(934)
Purchase of company stock: 10,260,900 Class A shares						(255,222)
Foreign currency translation					(1,411)	
Balance, December 31, 1993	1,784	10,768	57	599,758	1,022,958	(34,658)
Net income					213,349	
Dividends, preference-$5.50 per share					(97)	
Dividends, common-$.56 per share					(58,190)	
Issuance of shares:						
Retirement units, etc.-10,889 Class A shares from treasury				(128)		271
Employee stock purchase plan-1,191,323 Class A shares		2		(7,237)		29,119
Stock options-223,700 Class A shares		35		6,928		(3,385)
Purchase of company stock:						
10,043,900 Class A shares						(236,245)
307 5 1/2 percent preference shares	(31)			10		
Proceeds from the sale of put options				1,189		
Equity put option obligations				(2,660)		
Foreign currency translation					1,695	
Balance, December 31, 1994	$1,753	$10,805	$57	$597,860	$1,179,715	$(244,898)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Capital Stock

In addition to the Company's stock repurchase program, in 1994 the Company sold equity put options in a series of private placements that entitle the holder, upon exercise, to sell shares of Class A Common Stock to the Company at a specified price. In 1994, put options for 1,210,000 shares were issued for $1,189,000 in premiums which have been accounted for as additional capital. As of December 31, 1994, put options of $2,660,000 included in other liabilities for 120,000 shares remain outstanding at strike prices ranging from $21.88 to $22.50 per share with exercise dates in March 1995. Premiums received on these options reduced the average price of repurchased shares to $23.42 per share from $23.53 per share.

Stock Issue Expense

SOUTHDOWN, INC.

Statement of Shareholders' Equity

	Preferred Stock		Common Stock		Capital in excess of	Reinvested
(in millions)	Shares	Amount	Shares	Amount	Par Value	Earnings
Balance at December 31, 1991	3.0	$67.9	16.9	$21.2	$126.6	$146.3
Net loss	—	—	—	—	—	(40.6)
Dividends on preferred stock	—	—	—	—	—	(5.0)
Balance at December 31, 1992	3.0	67.9	16.9	21.2	126.6	100.7
Net loss	—	—	—	—	—	(49.5)
Dividends on preferred stock	—	—	—	—	—	(5.0)
Exercise of stock options	—	—	0.1	0.1	(0.1)	(0.8)
Tax benefit from exercise of stock options	—	—	—	—	1.1	—
Balance at December 31, 1993	3.0	67.9	17.0	21.3	127.6	45.4
Net income	—	—	—	—	—	2.6
Issuance of Series D Preferred Stock	1.7	86.3	—	—	—	—
Dividends on preferred stock	—	—	—	—	—	(9.4)
Issuance expenses of capital stock	—	—	—	—	(4.0)	—
Exercise of stock options	—	—	0.2	0.2	(0.2)	(1.6)
Tax benefit from exercise of stock options	—	—	—	—	1.8	—
Other	(0.1)	(2.2)	0.1	0.1	1.4	(0.1)
Balance at December 31, 1994	4.6	$152.0	17.3	$21.6	$126.6	$36.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Capital Stock and Earnings Per Share:

The authorized capital stock of Southdown comprises 40,000,000 shares of Common Stock, $1.25 par value (Common Stock), and 10,000,000 shares of Preferred Stock, $.05 par value (the Preferred Stock). Chemical Shareholder Services Group, Inc., a subsidiary of Chemical Banking Corporation, serves as the registrar and transfer agent for the Common Stock, the Series B Preferred Stock and the Series D Preferred Stock described below and as Warrant Agent and Rights Agent for the Warrants and Rights, respectively. The Company serves as the registrar and transfer agent for the Series A Preferred Stock.

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Series D Preferred Stock- Pursuant to the terms of the Restated Articles, the Board of Directors in 1994 authorized creation of a series of Preferred Stock consisting of 1,725,000 shares of Preferred Stock, $2.875 Cumulative Convertible Series D (Series D Preferred Stock). The Series D Preferred Stock ranks junior to the Series A Preferred Stock, pari passu with the Series B Preferred Stock, and will be senior to any Series C Preferred Stock that may be issued. A total of 1,725,000 shares of Series D Preferred Stock were sold on January 27, 1994 and are outstanding. Dividends paid or accrued on the Series D Preferred Stock were $4.6 million in 1994.

Acquisition of Warrants

OAK INDUSTRIES, INC.

Consolidated Statement of Stockholders' Equity

(Dollars in thousands)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Cumulative Translation Adjustment	Treasury Stock	Other	Total
Balance, December 31, 1991	$16,518	$260,245	$(192,948)	$ 571	$ (31)	$ (173)	$ 84,182
Net income	—	—	14,438	—	—	—	14,438
Current year translation adjustment	—	—	—	(594)	—	—	(594)
Reduction of par value	(16,359)	16,359	—	—	—	—	—
Other	6	33	—	—	—	9	48
Balance, December 31, 1992	165	276,637	(178,510)	(23)	(31)	(164)	98,074
Net income	—	—	26,660	—	—	—	26,660
Current year translation adjustment	—	—	—	(507)	—	—	(507)
Exercise of options and warrants	7	3,830	—	—	—	—	3,837
Employee notes receivable	—	—	—	—	—	(1,305)	(1,305)
Other	—	—	—	—	(4)	164	160
Balance, December 31, 1993	172	280,467	(151,850)	(530)	(35)	(1,305)	126,919
Net income	—	—	42,446	—	—	—	42,446
Current year translation adjustment	—	—	—	(128)	—	—	(128)
Exercise of options and warrants	3	1,546	—	—	(418)	—	1,131
Acquisition of warrants	—	(3,061)	—	—	—	—	(3,061)
Other	—	24	—	—	(442)	261	(157)
Balance, December 31, 1994	$ 175	$278,976	$(109,404)	$(658)	$(895)	$(1,044)	$167,150

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Capital Stock

Warrants

The Company, in conjunction with the 1987 Nordco financing (see Note 4), issued Series E warrants to purchase 150,000 shares of common stock to the lender in consideration for execution of the financing agreement. In 1994, the Company paid the lender $3,061,000 to acquire all of these warrants.

The Company issued Series F warrants in conjunction with the sale of common stock to MIM (see Common Stock). In December 1993, warrants for the purchase of 540,000 shares of common stock were exercised. In 1994, the remaining warrants were exercised.

Recapitalization

TESORO PETROLEUM CORPORATION

Statements of Consolidated Stockholders' Equity

(In thousands except per share amounts)	$2.20 Cumulative Convertible Preferred Stock		$2.16 Cumulative Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount		
December 31, 1991	—	$ —	1,320	$1,320	14,067	$2,344	$86,522	$46,785
Net loss	—	—	—	—	—	—	—	(65,875)
Accrued dividends on preferred stocks	—	—	—	—	—	—	—	(20,525)
Stock awards and other	—	—	—	—	4	1	125	(32)
December 31, 1992	—	—	1,320	1,320	14,071	2,345	86,647	(39,647)
Net earnings	—	—	—	—	—	—	—	16,956
Accrued dividends on preferred stocks	—	—	—	—	—	—	—	(9,175)
Stock awards and other	—	—	—	—	18	3	101	(32)
December 31, 1993	—	—	1,320	1,320	14,089	2,348	86,748	(31,898)
Net earnings	—	—	—	—	—	—	—	15,731
Accrued dividends on preferred stocks	—	—	—	—	—	—	—	(2,680)
Reclassification of $2.16 Preferred Stock and accrued and unpaid dividends thereon into Common Stock	—	—	(1,320)	(1,320)	6,598	1,099	9,670	—
Issuance of Common Stock in connection with reclassification of $2.20 Preferred Stock and accrued dividends thereon into equity	2,875	57,500	—	—	1,900	317	20,914	—
Costs of Recapitalization	—	—	—	—	—	—	(3,327)	—
Offering, net	—	—	—	—	5,851	975	55,992	—
Exercise of MetLife Louisiana Option	(2,875)	(57,500)	—	—	(4,084)	(681)	5,232	—
Stock awards and other	—	—	—	—	36	7	285	—
December 31, 1994	—	$ —	—	$—	24,390	$4,065	$175,514	$(18,847)

NOTES TO FINANCIAL STATEMENTS

Note C - Recapitalization and Offering

Recapitalization

In February 1994, the Company consummated exchange offers and adopted amendments to its Restated Certificate of Incorporation pursuant to which the Company's outstanding debt and preferred stocks were restructured (the "Recapitalization"). Significant components of the Recapitalization, together with the applicable accounting effects, were as follows:

(i) The Company exchanged $44.1 million principal amount of new 13% Exchange Notes ("Exchange Notes") due December 1, 2000 for a like principal amount of 12 3/4% Subordinated Debentures ("Subordinated Debentures") due March 15, 2001. This exchange satisfied the 1994 sinking fund requirement and, except for $.9 million, will satisfy sinking fund requirements for the Subordinated Debentures through 1997.

The exchange of the Subordinated Debentures was accounted for as an early extinguishment of debt in the first quarter of 1994, resulting in a charge of $4.8 million as an extraordinary loss on this transaction, which represented the excess of the estimated market value of the Exchange Notes over the carrying value of the Subordinated Debentures. The carrying value of the Subordinated Debentures exchanged was reduced by applicable unamortized debt issue costs. No tax benefit was available to offset the extraordinary loss as the Company has provided a 100% valuation allowance to the extent of its deferred tax assets.

(ii) The 1,319,563 outstanding shares of the Company's $2.16 Cumulative Convertible Preferred Stock ("2.16 Preferred Stock"), which had a $25 per share liquidation preference, plus accrued and unpaid dividends aggregating $9.5 million at February 9, 1994, were reclassified into 6,465,859 shares of Common Stock. The Company also issued an additional 132,416 shares of Common Stock on behalf of the holders of $2.16 Preferred Stock in connection with the settlement of litigation related to the reclassification of the $2.16 Preferred Stock. In addition, the Company paid $.5 million for certain legal fees and expenses in connection with such litigation. The reclassification of the $2.16 Preferred Stock eliminated annual preferred dividend requirements of $2.9 million on the $2.16 Preferred Stock.

The issuance of the Common Stock in connection with the reclassification and settlement of litigation that was recorded in 1994 resulted in an increase in Common Stock of approximately $1 million, equal to the aggregate par value of the Common Stock issued, and an increase in additional paid-in capital of approximately $9 million.

(iii) The Company and MetLife Security Insurance Company of Louisiana ("MetLife Louisiana"), the holder of all of the Company's outstanding $2.20 Cumulative Convertible Preferred Stock ("$2.20 Preferred Stock"), entered into an agreement pursuant to which MetLife Louisiana agreed, among other matters, to waive all existing mandatory redemption requirements, to consider all accrued and unpaid dividends on the $2.20 Preferred Stock (aggregating $21.2 million at February 9, 1994) to have been paid, and to grant to the Company a three-year option (the "MetLife Louisiana Option") to purchase all of MetLife Louisiana's holdings of $2.20 Preferred Stock and Common Stock for approximately $53 million prior to June 30, 1994 (after giving effect to the cash dividend on the $2.20 Preferred Stock paid in May 1994), all in consideration for, among other things, the issuance by the Company to MetLife Louisiana of 1,900,075 shares of Common Stock. Such additional shares were also subject to the MetLife Louisiana Option.

These actions resulted in the reclassification of the $2.20 Preferred Stock into equity capital at its aggregate liquidation preference of $57.5 million and the recording of an increase in additional paid-in capital of approximately $21 million in February 1994.

Equity Offering

In June 1994, the Company completed a public offering (the "Offering") of 5,850,000 shares of its Common Stock for the purpose of raising funds to exercise the MetLife Louisiana Option. Net proceeds to the Company from the Offering, after deduction of associated expenses, were approximately $57.0 million. On June 29, 1994, the Company exercised the MetLife Louisiana Option in full for approximately $53.0 million, acquiring 2,875,000 shares of $2.20 Preferred Stock having a liquidation value of $57.5 million and 4,084,160 shares of Common Stock having an aggregate market value of $45.9 million (based on a closing price of $11.25 per share on June 28, 1994). The exercise eliminated annual preferred dividend requirements of $6.3 million on the $2.20 Preferred Stock. The Offering and the exercise in full of the MetLife Louisiana Option resulted in a net increase of 1,765,840 outstanding shares of Common Stock, the retirement of $57.5 million of the $2.20 Preferred Stock, and increases in Common Stock of approximately $.3 million, additional paid-in capital of approximately $61.2 million and cash of approximately $4.0 million in June 1994.

If the Recapitalization and Offering had been completed at the beginning of the year, the pro forma earnings per share before extraordinary loss would have increased from $.77 to $.82 on both a primary and fully diluted basis for the year ended December 31, 1994, reflecting the elimination of all preferred stock dividend requirements and the issuance of additional shares of Common Stock associated with the Recapitalization and Offering reduced by shares of Common Stock acquired and retired upon exercise of the MetLife Louisiana Option.

See Note I for information on the Company's long-term debt, including restrictions on dividend payments.

Warrants Exercised

DDL ELECTRONICS, INC.

Consolidated Statement of Stockholders' Equity

	Common Stock		Preferred Stock		Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustment	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
Balance at June 30, 1991	6,635,244	$67,000	—	$ —	$8,681,000	$ 5,913,000	$ (760,000)	$13,901,000
Net Loss						(22,305,000)		(22,305,000)
Sales of stock and restricted stock transactions	(2,000)	—			(1,000)			(1,000)
Conversion of 7% subordinated debentures	230,000	2,000			458,000			460,000
Translation adjustments							1,662,000	1,662,000
Balance of June 30, 1992	6,863,244	$ 69,000	—	$ —	$9,138,000	$(16,392,000)	$902,000	$ (6,283,000)
Net Income						1,073,000		1,073,000
Sales of stock and restricted stock transactions	(6,000)				(3,000)			(3,000)
Conversion of 7% Subordinated debentures	59,500	1,000			118,000			119,000
Exchanges of 7% & 8½% subordinated debentures	5,034,136	50,000			5,767,000			5,817,000
Exercise of stock options	22,000	—			15,000			15,000
Compensation expense on stock option grants					345,000			345,000
Translation adjustments						—	(2,026,000)	(2,026,000)
Balance at June 30, 1993	11,972,880	$120,000	—	$ —	$15,380,000	$(15,319,000)	$(1,124,000)	$ (943,000)
Net Loss						(8,354,000)		(8,354,000)
Exercise of Warrants issued	2,370,148	24,000			3,431,000			3,455,000
Issuance of Preferred Stock			450	—	675,000			675,000
Conversion of 7% subordinated debentures	30,500	—			61,000			61,000
Exercise of stock options	95,190	1,000			93,000			94,000
Compensation expense on stock option grants					6,000			6,000
Translation adjustments							117,000	117,000
Balance at June 30, 1994	14,468,718	$ 145,000	450	$	$19,646,000	$(23,673,000)	$(1,007,000)	$ (4,889,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Financial Arrangements

On December 3, 1992, pursuant to privately negotiated transactions, holders of $4,826,000 principal amount of the Company's 7% CSDs and $3,183,000 principal amount of its 8½% CSDs exchanged the CSDs for units consisting of common stock and warrants to purchase common stock in the future. The contracts also eliminated the interest payment due November 16, 1992, on the exchanged 7% CSDs. The exchanges resulted in the issuance of 4,704,562 shares of common stock and 2,316,889 warrants to purchase common stock. In May and June of 1993, the Company executed contracts for additional exchanges with holders of $585,000 principal amount of the 7% CSDs and $111,000 principal amount of the 8½% CSDs. The 1993 exchanges resulted in the issuance of an additional 329,574 shares of common stock and 276,768 warrants, which warrants will have the same characteristics as those previously issued. The warrants were exercisable at $1.50 per share until July 31, 1993, after which the exercise price increased to $2.25 per share until the October 31, 1994, expiration date. In 1994, the Company authorized extending the warrants expiration date to August 1, 1995. The Company can accelerate the termination date of the warrants if the average closing market price of the common stock for 10 business days within any 20 business day trading period is at least $3.00 per share. In the event the Company accelerates the termination date, it will send an acceleration notice specifying the new termination date, which date shall be no less than 30 days after the later of (a) the date of the Company's acceleration notice, or (b) the effective date of a registration statement. The warrants are separately tradable. The Company may effect similar exchanges with holders of the remaining outstanding CSDs in the future. On July 31, 1993, holders of 91% of the outstanding warrants exercised such warrants generating net cash proceeds of approximately $3,455,000.

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 economies are included in determining net income. Examples of foreign currency translation disclosures follow.

AMERON, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock				
(Dollars in thousands except per share data)	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Other
Balance, November 30, 1991	3,812,700	$12,464	$11,139	$162,062	$518
Net income—1992				5,859	
Exercise of stock options and issuance of stock to employee savings plan	28,930	72	868		
Dividends on common stock of $1.28 a share				(4,904)	
Foreign currency translation adjustments (net of deferred income tax benefit of $230)					(413)
Balance, November 30, 1992	3,841,630	12,536	12,007	163,017	105
Net loss—1993				(24,255)	
Exercise of stock options and issuance of stock to employee savings plan	44,835	112	1,407		
Dividends on common stock of $1.28 a share				(4,950)	
Foreign currency translation adjustments (net of deferred income tax benefit of $644)					(966)
Minimum pension liability adjustment					(720)
Balance, November 30, 1993	3,886,465	12,648	13,414	133,812	(1,581)
Net income—1994				10,790	
Exercise of stock options and issuance of stock to employee savings plan	49,246	124	1,244		
Dividends on common stock of $1.28 a share				(5,016)	
Foreign currency translation adjustments (net of deferred income tax of $954)					1,431
Minimum pension liability adjustment					720
Balance, November 30, 1994	3,935,711	$12,772	$14,658	$139,586	$570

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation

The functional currency for the majority of the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The gains or losses, net of applicable deferred income taxes, resulting from such translation are included in stockholders' equity. Gains or losses resulting from foreign currency transactions are included in other income.

Note 2. Other Income

Other income for the years ended November 30 included the following:

(In thousands)	1994	1993	1992
Royalties and fees from affiliated companies and licensees	$4,018	$3,967	$3,284
Foreign currency loss	(205)	(147)	(433)
Interest income	684	836	1,543
Miscellaneous	1,700	1,026	283
	$6,197	$5,682	$4,677

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Translation of Foreign Currencies

Most of the Company's 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)	1994	1993	1992
Balance at January 1	$7.9	$8.9	$10.4
Translation and other	7.8	(1.9)	(4.4)
Allocated income taxes	(3.9)	0.9	2.9
Balance at December 31	$11.8	$7.9	$8.9

The remaining foreign entities translate monetary assets and liabilities at year-end exchange rates and inventories, property and nonmonetary assets and liabilities at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except that depreciation and cost of sales are translated at historical rates. Adjustments resulting from the translation of these entities are included in the results of operations. Gains and losses resulting from transactions of the Company and its subsidiaries which are made in currencies different from their own are included in income as they occur. Currency losses of $5.4 million, $1.0 million and $5.1 million were recorded in 1994, 1993, and 1992, 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)	1994	1993	1992
Balance at beginning of year	$(415.0)	$(265.2)	$(216.9)
Translation adjustments, including the effect of hedging	43.0	(154.2)	(60.2)
Related income tax effect	(5.1)	4.4	11.9
Balance at end of year	$(377.1)	$(415.0)	$(265.2)

Included in Other charges were net exchange losses of $77.4 million, $105.4 million and $68.8 million for 1994, 1993 and 1992, respectively, primarily relating to subsidiaries in highly inflationary countries, principally Brazil.

OWENS-ILLINOIS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Translation

Aggregate foreign currency exchange gains (losses) included in other costs and expenses were $(53.9) million in 1994, $(16.1) million in 1993, and $18.4 million in 1992, and resulted principally from translation of the balance sheets of certain of the Company's major affiliates which are located in Brazil and Venezuela. Earnings on time deposits and short-term investments in those countries typically include an inflationary component, which has more than offset the exchange losses in both 1994 and 1993.

Changes in the cumulative foreign currency translation adjustment were as follows:

Millions	1994	1993	1992
Balance at beginning of year	$(69.9)	$(61.3)	$(52.9)
Net effect of exchange rate fluctuations	1.6	(10.8)	(9.0)
Previous adjustments eliminated in divestitures		(.3)	(1.1)
Deferred income taxes	.5	2.5	1.7
Balance at end of year	$(67.8)	$(69.9)	$(61.3)

The net effect of exchange rate fluctuations generally reflects changes in the relative strength of the U.S. dollar against major foreign currencies between the beginning and end of the year.

UNIVERSAL CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

Years Ended June 30, 1994, 1993 and 1992

(In thousands of dollars)	1994	1993	1992
COMMON STOCK:			
Balance at beginning of year	$ 86,672	$ 15,597	$ 13,914
Issuance of common stock	52	70,579	109
Exercise of stock options		496	1,576
Common shares repurchased	(11,437)		(2)
Balance at end of year	75,287	86,672	15,597
RETAINED EARNINGS:			
Balance at beginning of year	341,523	290,766	377,932
Net income	9,158	80,242	70,721
Cash dividends declared ($.94 per share in 1994; $.86 in 1993: $.79 in 1992)	(33,337)	(29,485)	(25,946)
Distribution of title insurance shares			(131,941)
Balance at end of year	317,344	341,523	290,766
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:			
Balance at beginning of year	(10,282)	(4,667)	(5,136)
Translation adjustments for the year	(7,552)	(8,400)	728
Allocated income taxes	2,677	2,785	(259)
Balance at end of year	(15,157)	(10,282)	(4,667)
NET UNREALIZED INVESTMENT GAINS:			
Balance at beginning of year			3,119
Net unrealized gains for the year			4,705
Distribution of title insurance shares			(7,824)
Balance at end of year			0
SHAREHOLDERS' EQUITY AT END OF YEAR	$377,474	$417,913	$301,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Translation of Foreign Currencies

The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into U.S. dollars using exchange rates in effect at period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

The financial statements of foreign subsidiaries located in highly inflationary economies are remeasured as if the functional currency were the U.S. dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments which are included in net income. Exchange losses in 1994, 1993 and 1992, resulting from foreign currency transactions were $6.8, $1.6 and $4.1 million, respectively (including $6.7, $2.4 and $5.6 million of translation losses related to subsidiaries located in highly inflationary economies) and are included in the respective statements of 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. Fourteen 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 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.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1994	1993	1992	1991
Final statement	315	321	325	336
Follows income statement and balance sheet	249	240	234	228
Between income statement and balance sheet	36	39	41	36
Total Companies	**600**	**600**	**600**	**600**

TITLE

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.

TABLE 5-2: TITLE

	1994	1993	1992	1991
Cash Flows	583	587	589	590
Cash Flow	17	13	11	10
Total Companies	**600**	**600**	**600**	**600**

CASH FLOWS FROM OPERATING ACTIVITIES

Paragraphs 21-24 of *SFAS No. 95* define those transactions and events which constitute operating cash receipts and payments. *SFAS No. 95* recommends that the direct method, as defined in paragraph 27, be used to report net cash flow from operating activities. Most of the survey companies used the indirect method (reconciling net income to net cash flow from operating activities) to report net cash flow from operating activities. Regardless of whether the direct or indirect method is used, paragraph 29 of *SFAS No. 95* requires that a reconciliation of net income to net cash flow from operating activities be presented and that interest and income tax payments be disclosed.

Table 5-3 shows the methods used to report cash flows from operating activities. Companies using the direct method usually present the reconciliation of net income to net cash flow from operating activities as a schedule at the bottom of the Statement of Cash Flows or on the page adjacent to the Statement. Companies using the indirect method usually present the reconciliation within the Statement of Cash Flows.

Table 5-4 shows where in the financial 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

	1994	1993	1992	1991
Indirect method	586	585	585	585
Direct method	14	15	15	15
Total Companies	**600**	**600**	**600**	**600**

Direct Method

ARDEN GROUP, INC.

Statements of Cash Flows

(In Thousands)	Fifty-Two Weeks 1994	Fifty-Two Weeks 1993	Fifty-Three Weeks 1992
Cash flows from operating activities:			
Cash received from customers	$244,598	$248,654	$250,852
Cash paid to suppliers and employees	(235,228)	(235,732)	(239,263)
Interest and dividends received	3,166	1,168	1,048
Interest paid	(934)	(1,586)	(2,609)
Income taxes (paid)/refunded	(2,606)	(3,895)	480
Net cash provided by operating activities	8,996	8,609	10,508
Cash flows from investing activities:			
Capital expenditures	(6,948)	(6,406)	(2,450)
Proceeds from the sale of Telautograph		45,425	
Investment in marketable securities	880	(23,038)	
Net cash from sale of GPS	818		
Proceeds from the sale of property, plant and equipment, liquor licenses and leasehold interests	55	109	357
Payments received on notes from the sale of property, plant and equipment and liquor licenses	20	163	25
Net cash (used) provided in investing activities	(5,175)	(16,253)	(2,068)
Cash flows from financing activities:			
Purchase and retirement of stock	(15,608)		
Principal payments on long-term debt	(5,486)	(86)	(24)
Transfer from/(to) discontinued operations	(2,556)	(5,807)	3,803
Principal payments under capital lease obligations	(1,530)	(1,418)	(1,425)
Loan payments from/(to) officer/director	1,074		(1,000)
Proceeds from equipment financing		1,021	
Retirement of 13% debentures			(19,342)
Net cash used in financing activities	(24,106)	(6,290)	(17,988)
Net increase (decrease) in cash	(20,285)	18,572	(9,548)
Cash at beginning of year	39,526	20,954	30,502
Cash at end of year	$ 19,241	$ 39,526	$ 20,954

TABLE 5-4: INTEREST AND INCOME TAX PAYMENTS

	1994	1993	1992	1991
Interest Payments				
Notes to financial statements	344	347	354	348
Bottom of Statement of Cash Flows	230	224	219	217
Within Statement of Cash Flows	16	17	17	18
Amount not disclosed	10	12	10	17
Total Companies	**600**	**600**	**600**	**600**
Income Tax Payments				
Notes to financial statements	348	347	355	353
Bottom of Statement of Cash Flows	227	223	218	216
Within Statement of Cash Flows	19	21	21	23
Amount not disclosed	6	9	6	8
Total Companies	**600**	**600**	**600**	**600**

	Fifty-Two Weeks 1994	Fifty-Two Weeks 1993	Fifty-Three Weeks 1992
Reconciliation of Net Income to Net Cash Provided by Operating Activities:			
Net income	$ 4,849	$ 6,674	$ 4,483
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations		(2,836)	(615)
Depreciation and amortization	3,659	4,176	4,153
Unrealized loss on marketable securities	1,786		
Loss on sale of marketable securities	672		
Provision for losses on accounts and notes receivable	348	560	190
Net loss (gain) from the sale of property, plant and equipment, liquor licenses and early lease terminations	67	(25)	(577)
Gain on sale of GPS	(9)		
Note receivable from officer/director	(14)	(12)	(12)
Non-compete payment on sale of GPS	(217)		
Original issue discount amortization on 13% debentures			695
Interest differential on note payable		26	23
Change in assets and liabilities net of effects from noncash investment and financing activities:			
(Increase) decrease in assets:			
Notes and accounts receivable	(950)	879	3,271
Inventories	(904)	983	820
Other current assets	(1,244)	80	97
Other assets	222	(545)	822
Increase (decrease) in liabilities:			
Accounts payable and other accrued expenses	3,044	1,101	(1,361)
Deferred income taxes	(972)	(1,394)	(59)
Other liabilities	(1,341)	(1,058)	(1,422)
	$ 8,996	$ 8,609	$ 10,508

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 an original maturity of three months or less) according to operating, investing or financing activities. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of FDIC insurance limits. 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. The Company believes no significant concentration of credit risk exists with respect to these cash investments.

ROWE FURNITURE CORPORATION

Consolidated Statement of Cash Flows

(in thousands)	11/27/94	Year Ended 11/28/93	11/29/92
Increase (Decrease) In Cash			
Cash flows from operating activities:			
Cash received from customers	$ 109,369	$ 84,327	$ 70,552
Cash paid to suppliers and employees	(104,533)	(80,209)	(68,582)
Income taxes paid, net	(3,876)	(2,694)	(531)
Interest paid	(208)	(315)	(402)
Interest received	188	224	205
Other receipts, net	1,239	1,125	956
Net cash provided by operating activities	2,179	2,458	2,198
Cash flows from investing activities:			
Proceeds from sale of property and equipment	2	17	28
Capital expenditures	(4,961)	(870)	(782)
Proceeds from sale of marketable securities	191	—	—
Acquisition of marketable securities	—	(24)	(26)
Net cash used in investing activities	(4,768)	(877)	(780)
Cash flows from financing activities:			
Net borrowings under line of credit	2,736	—	—
Proceeds from issuance of long-term debt	200	—	15
Payments to reduce long-term debt	(2,363)	(1,481)	(1,003)
Dividends paid	(798)	(518)	(412)
Proceeds from issuance of common stock	3,578	913	203
Purchase of treasury stock	(2,096)	(816)	(182)
Net cash provided by (used in) financing activities	1,257	(1,902)	(1,379)
Net increase (decrease) in cash	(1,332)	(321)	39
Cash at beginning of year	1,803	2,124	2,085
Cash at end of year	$ 471	$ 1,803	$ 2,124
Reconciliation Of Net Earnings To Net Cash Provided By Operating Activities:			
Net earnings	$ 6,782	$ 5,090	$ 1,405
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of change in accounting for income taxes	—	(490)	—
Depreciation and amortization	1,888	1,722	1,778
Provision for deferred compensation	554	627	577
Payments made for deferred compensation	(1,730)	(371)	(261)
Deferred income taxes	404	(160)	(232)
Provision for losses on accounts receivable	68	127	206
Loss (gain) on disposition of assets	(2)	2	4
Loss (gain) on sale of marketable securities	(18)	—	—
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(1,832)	(4,634)	(2,936)
Decrease (increase) in refundable income taxes	—	—	365
Decrease (increase) in inventories	(2,008)	(2,551)	(477)
Decrease (increase) in prepaid expenses	(78)	150	(3)
Decrease (increase) in cash value of life insurance	(120)	1	(120)
Decrease (increase) in other assets	135	157	(53)
Increase (decrease) in accounts payable	(1,633)	2,368	1,548
Increase (decrease) in accrued expenses	(231)	420	397
Total adjustments	(4,603)	(2,632)	793
Net cash provided by operating activities	$ 2,179	$ 2,458	$ 2,198

Reconciliation Of Net Income To Net Cash Flow From Operating Activities

GREIF BROS. CORPORATION

Consolidated Statements of Cash Flows

(Dollars in thousands)	1994	For the years ended October 31, 1993	1992
Cash flows from operating activities:			
Net income	$ 33,754	$ 24,609	$ 29,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	21,758	18,881	18,315
Minority interest in income	0	0	495
Deferred income taxes	4,011	1,133	2,511
Loss (gain) on disposals of properties, plants and equipment	4	175	(429)
(Increase) decrease:			
Trade accounts receivable	(12,900)	(543)	(1,774)
Inventories	(8,244)	5,190	(1,426)
Prepaid expenses and other	(1,591)	(1,009)	(1,248)
Other long term assets	(848)	554	(189)
Increase (decrease):			
Accounts payable and accrued liabilities	10,526	2,325	(873)
Accrued payrolls and employee benefits	1,289	708	(214)
Accrued taxes—general	332	(55)	(80)
Taxes on income	(735)	(1,318)	(1,469)
Other long term liabilities	693	(1,175)	(771)
Net cash provided by operating activities	48,049	49,475	42,567
Cash flows from investing activities:			
Sales (purchases) of investments in government securities, net	2,963	4,959	4,914
Reduction in loan to partnership	0	0	6,000
Purchase of minority interest	0	0	(4,124)
Purchase of properties, plants and equipment	(40,682)	(74,521)	(43,406)
Proceeds on disposals of properties, plants and equipment	166	103	659
Net cash used by investing activities	(37,553)	(69,459)	(35,957)
Cash flows from financing activities:			
Proceeds from issuance of long term debt	7,700	28,108	0
Payments on long term debt	(7,876)	(677)	(146)
Acquisition of treasury stock	(1,789)	(952)	(176)
Dividends paid	(9,139)	(9,176)	(8,561)
Net cash provided (used) by financing activities	(11,104)	17,303	(8,883)
Foreign currency translation adjustment	(676)	(1,931)	(3,046)
Net decrease in cash and short term investments	(1,284)	(4,612)	(5,319)
Cash and short term investments at beginning of year	30,827	35,439	40,758
Cash and short term investments at end of year	$ 29,543	$ 30,827	$ 35,439

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of Cash Flows

The Company considers highly liquid investments with an original maturity of three months or less to be cash and short term investments.

Note 3 (In Part): Long Term Obligations

During 1994, the Company paid $1,599,000 of interest ($363,000 in 1993 and $171,000 in 1992) for the long term obligations and capital lease.

Note 5 (In Part): Income Taxes

During 1994, the Company paid $10,898,000 in U.S. Federal income taxes ($10,639,000 in 1993 and $13,994,000 in 1992).

QUAKER STATE CORPORATION

Consolidated Statement of Cash Flows

(in thousands)	Years ended December 31 1994	1993	1992
Cash flows from operating activities			
Net income (loss)	$ 18,766	$ 13,702	$(93,848)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	32,259	28,758	35,083
Deferred income taxes and investment tax credit	2,669	3,380	(4,900)
Postretirement benefits other than pensions	826	2,810	5,600
Unusual items—noncurrent	—	—	3,200
(Gain) loss on disposition of discontinued operations (Notes 3 and 4)	(377)	—	37,700
Cumulative effect of changes in accounting principles	—	—	62,600
Increase (decrease) from changes in:			
Receivables	(2,168)	4,274	(5,711)
Inventories	(3,732)	12,036	(2,958)
Other current assets	4,743	2,265	8,304
Accounts payable	(8,537)	3,267	(5,433)
Accrued liabilities	(11,434)	(25,028)	(17,753)
Other	458	(8,621)	7,694
Changes in discontinued insurance operations	4,089	10,392	2,267
Net cash provided by operating activities	37,562	47,235	31,825
Cash flows from investing activities			
Proceeds from disposal of property and equipment	4,556	1,741	6,806
Capital expenditures	(36,444)	(29,760)	(25,706)
Proceeds from sale of discontinued operations, net of discontinued operations cash	78,529	6,261	47,929
Discontinued insurance operations:			
Proceeds from sale of bonds and securities	47,781	105,052	41,520
Purchase of bonds and securities	(60,513)	(112,206)	(46,786)
Acquisitions, net of cash acquired	(28,366)	—	—
Net cash provided by (used in) investing activities	5,543	(28,912)	23,763
Cash flows from financing activities			
Dividends paid	(11,358)	(16,310)	(21,720)
Proceeds from long-term debt	418	223	93,918
Payments on long-term debt	(17,988)	(27,956)	(101,535)
Net cash used in financing activities	(28,928)	(44,043)	(29,337)
Net increase (decrease) in cash and cash equivalents	14,177	(25,720)	26,251
Cash and cash equivalents at beginning of year:			
Other than insurance	6,220	34,146	9,305
Discontinued insurance operations	9,408	7,202	5,792
Total cash and cash equivalents at beginning of year	15,628	41,348	15,097
Cash and cash equivalents at end of year:			
Other than insurance	29,805	6,220	34,146
Discontinued insurance operations	—	9,408	7,202
Total cash and cash equivalents at end of year	$ 29,805	$ 15,628	$ 41,348

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

g. Cash equivalents: The company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

15. Supplemental Cash Flow Information:

(in thousands)	1994	1993	1992
Cash paid during the year for:			
Interest, net of amounts capitalized	$5,101	$5,717	$6,126
Income taxes	9,174	9,714	14,581
Noncash investing and financing activities:			
Supplemental receivable (Note 4)	—	—	$18,800
Preferred stock	—	—	10,000
Capital stock issued for acquisition (Note 2)	$57,750	—	—
Capital stock issued under incentive plan (Note 11)	3,109	—	—
Details of Acquisition (Note 2):			
Fair value of assets acquired	$171,219	—	—
Liabilities assumed	82,748	—	—
Stock issued	57,750	—	—
Cash paid	30,721	—	—
Less: cash acquired	2,355	—	—
Net cash paid for acquisition	$28,366	—	—

In 1992, as a result of the bankruptcy of the purchaser of the McKean and Emlenton plants, the company eliminated preferred stock and deferred income, associated with the sale, from the Consolidated Balance Sheet.

THORN APPLE VALLEY, INC.

Consolidated Statements of Cash Flows

	Fiscal Years Ended		
	May 27, 1994	May 28, 1993	May 29, 1992
Cash flows from operating activities:			
Net income	$14,083,373	$13,862,567	$21,054,846
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,262,515	7,379,378	7,109,268
Deferred income taxes	656,000	(780,000)	(1,101,200)
(Gain) loss on disposition of property, plant and equipment	(813)	26,601	112,253
Provision for losses on accounts receivable	(100,500)	61,800	143,400
(Increase) decrease in assets:			
Accounts receivable	(6,800,467)	(1,814,851)	2,556,153
Inventories	(5,610,119)	1,866,585	(513,385)
Refundable income taxes	528,574	(528,574)	558,000
Prepaid expenses and other assets	(82,919)	(264,580)	825,055
Increase (decrease) in liabilities:			
Accounts payable	7,289,671	1,784,084	(5,458,032)
Accrued liabilities	3,452,205	862,163	(1,067,374)
Income taxes	526,722	(392,575)	392,575
Total adjustments	8,120,869	8,200,031	3,556,713
Net cash provided by operating activities	22,204,242	22,062,598	24,611,559
Cash flows from investing activities:			
Purchase of short-term investments	(300,000)		(146,000)
Proceeds from redemption of short-term investments	20,000	1,296,000	
Purchase of long-term investments		(2,160,000)	
Proceeds from sale of property, plant and equipment	2,311,269	461,305	315,389
Capital expenditures	(30,197,956)	(19,197,032)	(9,379,116)
Purchase of subsidiary			(1,192,463)
Net cash used in investing activities	(28,166,687)	(19,599,727)	(10,402,190)
Cash flows from financing activities:			
Proceeds from long-term debt	20,500,000		7,000,000
Proceeds from issuance of common stock			9,358,830
Proceeds from stock options exercised including related tax benefits	133,989	744,133	821,182
Principal payments on long-term debt	(1,940,256)	(8,161,804)	(12,140,009)
Purchase and retirement of common stock	(2,772,445)		(4,209,890)
Net payments under lines of credit			(6,500,000)
Net borrowings from (payments to) officers	387,406	885,800	(598,135)
Dividends paid	(1,584,003)	(1,179,638)	(466,660)
Payment in lieu of fractional shares		(3,861)	(4,549)
Net cash provided by (used in) financing activities	14,724,691	(7,715,370)	(6,739,231)
Net increase (decrease) in cash	8,762,246	(5,252,499)	7,470,138
Cash and cash equivalents, beginning of year	8,679,429	13,931,928	6,461,790
Cash and cash equivalents, end of year	$17,441,675	$8,679,429	$13,931,928
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 2,336,000	$2,421,000	$3,849,000
Income taxes	$ 6,207,000	$8,891,000	$10,948,000
Noncash investing activities:			
Capital lease obligations	$ 895,578		

Interest And Income Tax Payments

HOMASOTE COMPANY

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	1994	1993	1992
Cash flows from operating activities:			
Net earnings (loss)	$ 1,227,226	$(1,824,028)	$ 340,749
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	479,977	474,863	520,917
Gain on disposition of fixed assets	(3,575)	(14,242)	(60,487)
Cumulative effect of changes in accounting principles	—	2,299,730	—
Deferred income taxes	(202,145)	(24,378)	(85,000)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(145,389)	285,250	(160,234)
(Increase) decrease in inventories	(170,528)	237,354	214,645
(Increase) decrease in prepaid and deferred income taxes		(24,067)	237,663
Increase in other assets	(98,438)	(115,089)	(67,322)
Decrease in prepaid expenses and other current assets	5,635	38,144	24,239
Increase (decrease) in accounts payable	95,021	154,973	(175,001)
Increase (decrease) in accrued expenses	216,460	(24,766)	41,735
Increase (decrease) in accrued income taxes	555,367	33,384	(149,278)
Increase in other liabilities	262,807	315,218	282,823
Net cash provided by operating activities	2,222,418	1,812,346	965,449
Cash flows from investing activities:			
Proceeds from sale of equipment	3,575	15,250	88,618
Additions to plant and equipment	(189,993)	(250,049)	(506,273)
Net cash used in investing activities	(186,418)	(234,799)	(417,655)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	—	700,000
Repayments of long-term debt	(195,000)	(664,026)	(36,759)
Cash dividends paid	(199,457)	(211,610)	(21,949)
Proceeds from sale of treasury stock	7,425	1,425	2,800
Purchase of treasury stock	(325,117)	(408,215)	(119,288)
Net cash provided by (used in) financing activities	(712,149)	(1,282,426)	524,804
Net increase in cash and cash equivalents	1,323,851	295,121	1,072,598
Cash and cash equivalents at beginning of year	2,061,779	1,766,658	694,060
Cash and cash equivalents at end of year	$3,385,630	$2,061,779	$1,766,658
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 76,610	$ 79,000	$ 115,000
Income taxes	$ 426,152	$ 352,000	$ 200,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

HUNT MANUFACTURING CO.

Consolidated Statements of Cash Flows

(In thousands)	1994	1993	1992
Cash flows from operating activities:			
Net income	$17,992	$14,928	$13,302
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	8,039	7,664	7,558
Provision for inventory obsolescence	2,083	1,598	766
Cumulative effect of change in accounting for income taxes	(795)	—	—
Deferred income taxes	(1,155)	(456)	626
Loss on disposals of property, plant and equipment	634	571	119
Payments relating to relocation and consolidation of operations	(132)	(400)	(2,151)
Issuance of stock under management incentive bonus and stock grant plans	312	48	101
Changes in operating assets and liabilities, net of acquisition of business:			
Accounts receivable	(1,688)	(1)	(710)
Inventories	(7,485)	(4,639)	2,210
Prepaid expenses and other current assets	1,124	(922)	(872)
Accounts payable	(1,352)	2,847	(1,729)
Accrued expenses	400	2,009	1,188
Other non-current assets and liabilities	2,820	(50)	34
Net cash provided by operating activities	20,797	23,197	20,442
Cash flows from investing activities:			
Additions to property, plant and equipment	(9,305)	(10,339)	(6,002)
Acquisition of business	—	(1,051)	—
Other, net	(620)	2	(183)
Net cash used for investing activities	(9,925)	(11,388)	(6,185)
Cash flows from financing activities:			
Payments of long-term debt, including current maturities	(1,600)	(1,209)	(11,128)
Purchases of treasury stock	(728)	(308)	(365)
Proceeds from exercise of stock options	331	211	1
Dividends paid	(5,794)	(5,639)	(5,456)
Other, net	(45)	(49)	65
Net cash used for financing activities	(7,836)	(6,994)	(16,883)
Effect of exchange rate changes on cash and cash equivalents	(7)	(50)	(99)
Net increase (decrease) in cash and cash equivalents	3,029	4,765	(2,725)
Cash and cash equivalents, beginning of year	10,778	6,013	8,738
Cash and cash equivalents, end of year	$13,807	$10,778	$ 6,013

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

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

Cash Equivalents: The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

13. Cash Flow Information:

Cash payments for interest and income taxes (net of refunds) were as follows:

	1994	1993	1992
Interest paid	$ 408	$ 580	$ 863
Income taxes	9,481	8,761	5,987

UNION CAMP CORPORATION

Consolidated Statement of Cash Flows

($ in thousands)	For The Years Ended December 31, 1994	1993	1992
Cash (Used For) Provided By Operations:			
Net income	$113,510	$ 50,043	$ 76,233
Adjustments to reconcile net income to cash provided by operations:			
Depreciation, amortization and cost of company timber harvested	270,850	261,518	253,087
Deferred income taxes	27,268	33,838	62,278
Gain on sale of minority interest	(34,698)	—	—
Asset write down and business disposal	25,676	—	—
Other	13,190	(6,744)	2,305
Changes in operational assets and liabilities:			
Receivables	(80,593)	42,083	(84,879)
Inventories	15,880	(3,382)	(23,519)
Other assets	5,175	7,264	(10,178)
Accounts payable, taxes and other liabilities	12,244	33,800	(6,462)
Cash Provided by Operations	368,502	418,420	268,865
Cash (Used For) Provided By Investment Activities:			
Capital expenditures	(324,939)	(310,113)	(219,654)
Payments for acquired businesses	(25,006)	(11,855)	(11,862)
Proceeds from sale of business—net	8,239	34,451	—
Proceeds from sale of assets	19,114	27,612	15,727
Proceeds from sale of minority interest	88,983	—	—
Other	10,311	17,818	5,942
	(223,298)	(242,087)	(209,847)
Cash (Used For) Provided by Financing Activities:			
Proceeds from issuance of long-term debt	61,725	21,278	294,630
Repayments of long-term debt	(65,574)	(117,588)	(267,126)
Change in short-term notes payable	(57,596)	310	30,237
Dividends paid	(109,137)	(108,807)	(108,592)
	(170,582)	(204,807)	(50,851)
Effect of exchange rate changes on cash	347	(922)	(1,414)
Increase (decrease) in cash and cash equivalents	(25,031)	(29,396)	6,753
Balance at beginning of year	38,287	67,683	60,930
Balance at end of year	$ 13,256	$ 38,287	$ 67,683

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

1 (In Part): Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investment instruments with an original maturity of three months or less.

9. Supplemental Cash Flow Information

Cash paid for income taxes was $32.4 million in 1994, $26.1 million 1993, (offset by a $64.7 million tax refund), and $26.0 million in 1992. Cash paid for interest, net of amounts capitalized, was $110.3 million in 1994, $129.3 million in 1993 and $135.5 million in 1992.

The following table summarizes non-cash investing and financing activities related to the company's acquisitions in 1994, 1993 and 1992.

	1994	1993	1992
Fair value of assets acquired	$32,788	$21,399	$19,405
Less: cash paid	25,006	11,855	11,862
Liabilities incurred or assumed	$ 7,782	$ 9,544	$ 7,543

Discontinued Operations

BROWN GROUP, INC.

Consolidated Statements of Cash Flows

Thousands	1994	1993	1992
Operating Activities:			
Net earnings (loss)	$ 39,398	$(31,612)	$ 4,664
Adjustments to reconcile net earnings to net cash provided (used) by continuing operating activities:			
Cumulative effect of change in accounting for postemployment benefits in 1993	—	2,214	—
Discontinued operations	(5,832)	20,102	(1,425)
Depreciation and amortization	22,095	19,852	20,916
Loss on disposal of facilities and equipment	103	12,236	8,619
Provision for losses on accounts receivable	6,442	5,043	7,507
Changes in operating assets and liabilities:			
Receivables	5,304	(826)	(2,649)
Sale of receivables	—	—	(35,000)
Inventories	(35,037)	(33,406)	(25,367)
Prepaid expenses and other current assets	26,212	(30,880)	(3,589)
Trade accounts payable and accrued expenses	(7,972)	27,082	13,107
Income taxes	(4,430)	(1,295)	5,007
Other, net	(6,577)	(1,397)	(2,585)
Net Cash Provided (Used) by Operating Activities of:			
Continuing operations	39,706	(12,877)	(10,795)
Discontinued operations	8,677	180	(46)
Net Cash Provided (Used) by Operating Activities	48,383	(12,697)	(10,841)
Investing Activities:			
Capital expenditures	(32,531)	(27,207)	(17,496)
Proceeds from sales of fixed assets	4,226	1,407	595
Proceeds from sales of assets of discontinued operations	118,532	—	—
Net Cash Provided (Used) by Investing Activities	90,227	(25,800)	(16,901)
Financing Activities:			
Increase (decrease) in short-term notes payable	(105,005)	134,445	(2,751)
Principal payments of long-term debt and capitalized leases	(7,764)	(97,102)	(14,310)
Additions to long-term debt	—	20,000	75,288
Proceeds from issuance of common stock	5,901	4,400	171
Payments for purchase of treasury stock	(1,102)	—	—
Dividends paid	(28,610)	(27,979)	(27,714)
Net Cash Provided (Used) by Financing Activities	(136,580)	33,764	30,684
Increase (Decrease) in Cash and Cash Equivalents	2,030	(4,733)	2,942
Cash and Cash Equivalents at Beginning of Year	16,892	21,625	18,683
Cash and Cash Equivalents at End of Year	$ 18,922	$ 16,892	$ 21,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents/Cash Flow

The corporation considers all short-term investments with maturities of three months or less to be cash equivalents.

Note 5 (In Part): Income Taxes

The corporation received income tax refunds of $1.2 million in fiscal 1994. Cash payments of income taxes for fiscal 1993 and 1992 were $12.9 million and $2.4 million, respectively.

Note 9 (In Part): Long-Term and Short-Term Financing Arrangements

Cash payments of interest for fiscal 1994, 1993 and 1992 were $15.8 million, $18.4 million and $15.3 million, respectively.

GENERAL DYNAMICS CORPORATION

Consolidated Statement of Cash Flows

(Dollars in millions)	Year Ended December 31 1994	1993	1992
Cash Flows from Operating Activities:			
Net earnings	$ 238	$ 885	$ 815
Adjustments to reconcile net earnings to net cash provided by continuing operations —			
Discontinued operations	(15)	(615)	(510)
Depreciation, depletion and amortization	39	56	57
Decrease (Increase) in —			
Marketable securities	(136)	(109)	(125)
Accounts receivable	(42)	6	42
Contracts in process	91	(10)	76
Leases receivable — finance operations	15	14	12
Other current assets	6	(8)	(24)
Increase (Decrease) in —			
Accounts payable and other current liabilities	(105)	(73)	(98)
Current income taxes	27	60	6
Deferred income taxes	4	5	(109)
Other, net	(14)	(30)	(63)
Net cash provided by continuing operations	108	181	79
Net cash provided (used) by discontinued operations	31	(438)	303
Net Cash Provided (Used) by Operating Activities	139	(257)	382
Cash Flows from Investing Activities:			
Proceeds from sale of discontinued operations	259	1,534	1,039
Proceeds from sale of investments and other assets	17	60	32
Capital expenditures	(23)	(14)	(21)
Net Cash Provided by Investing Activities	253	1,580	1,050
Cash Flows from Financing Activities:			
Repayment of debt	(2)	(146)	(454)
Repayment of debt — finance operations .	(14)	(15)	(14)
Dividends paid	(84)	(56)	(55)
Special distributions to shareholders	—	(1,531)	—
Purchase of common stock	(22)	—	(960)
Proceeds from option exercises	14	8	57
Other	4	—	—
Net Cash Used by Financing Activities	(104)	(1,740)	(1,426)
Net Increase (Decrease) in Cash and Equivalents	288	(417)	6
Cash and Equivalents at Beginning of Year	94	511	505
Cash and Equivalents at End of Year	$ 382	$ 94	$ 511

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

A (In Part): Summary of Significant Accounting Policies

Cash and Equivalents and Marketable Securities. The company considers securities with a remaining maturity of three months or less when purchased to be cash equivalents. Marketable securities consist primarily of tax-exempt municipal bonds, investment grade commercial paper, direct obligations of the U.S. government and its agencies, preferred stock, and other short-term investment funds. The company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of January 1, 1994. The company determined all of its investments currently held in debt and equity securities are trading securities as defined by SFAS 115 and as such are reported at fair value. Prior to adoption SFAS 115, cash and equivalents and marketable securities were stated at cost. Unrealized holding gains and losses (the adjustment to fair value) recognized in earnings during 1994 were not significant. Accordingly, the adoption of SFAS 115 did not have a significant impact on the company's financial condition or results of operations.

Interest, Net. Interest income was $27, $40 and $34 in 1994, 1993 and 1992, respectively. Interest expense of $6 and $22 has been allocated to discontinued businesses in 1993 and 1992, respectively, on the ratio of net assets of discontinued operations to consolidated net assets. Interest expense incurred by the company's finance operations totaled $13, $15 and $16, in 1994, 1993 and 1992, respectively, and is classified as operating costs and expenses. Interest payments for the total company were $16, $28 and $58 in 1994, 1993 and 1992, respectively.

E (In Part): Income Taxes

The company made federal income tax payments of $107, $316 and $258 in 1994, 1993 and 1992, respectively.

Extraordinary Items

UNITED MERCHANTS AND MANUFACTURERS, INC.

Consolidated Statement of Cash Flows

	(000 omitted) Year ended June 30		
	1994	1993	1992
Cash Flows from Operating Activities:			
Net earnings (loss)	($ 752)	($25,235)	$126,323
Adjustments to reconcile net earnings (loss) to net cash used for operating activities:			
Extraordinary items:			
Gain from settlement of liabilities upon reorganization			(159,319)
Gain on retirement of debt	(33,400)		
Change in accounting principle for postretirement benefits other than pension	15,303		
Depreciation and amortization	3,304	3,309	3,631
Minority interest	(415)	(336)	(1,178)
Amortization of bond discount	790	682	586
Gain on sale of divisions	(2,176)		
Decrease (increase) in assets:			
Receivables	637	(7,162)	1,421
Inventories	1,028	3,602	1,296
Prepaid expenses and other current items	(282)	42	735
Other assets	3,678	(1,250)	1,875
Increase (decrease) in liabilities:			
Trade payables	(1,345)	(2,939)	(1,746)
Accrued expenses and sundry liabilities	25	(763)	(1,982)
Other long-term liabilities	714	(2,496)	(1,817)
Other — net	(3,687)	983	(392)
Net Cash Used for Operating Activities	($16,578)	($31,563)	($ 30,567)
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	($ 1,325)	($ 898)	($ 1,397)
Dispositions of equipment	80	165	
Net change in assets of discontinued operations prior to sale	9,158	6,828	4,592
Sales of divisions:			
Proceeds from sale of divisions	29,981	13,702	
Non-cash proceeds — receivables	(363)	(5,050)	
Net Cash Provided by Investing Activities	$ 37,531	$ 14,747	$ 3,195
Cash Flows from Financing Activities:			
Increase (decrease) in notes payable	($ 47,504)	$ 16,934	$ 25,340
Increase in long-term debt	28,316		3,674
Decrease in long-term debt	(2,135)	(1,552)	(731)
Proceeds from sale of stock by subsidiary		38	
Net Cash Provided by (Used for) Financing Activities	($ 21,323)	$ 15,420	$ 28,283
Increase (Decrease) in Cash	($ 370)	($ 1,396)	$ 911
Cash at beginning of period	1,032	2,428	1,517
Cash at end of period	$ 662	$ 1,032	$ 2,428
Supplemental disclosures of cash flow information:			
Interest	$ 12,233	$ 12,327	$ 11,788
Income Taxes	100	102	100

Cumulative Effect Of Accounting Change

AMETEK, INC.

Consolidated Statement of Cash Flows

(Dollars in thousands)	Year ended December 31, 1994	1993	1992
Cash provided by (used for):			
Operating activities:			
Net income (loss)	$ 31,000	$(7,332)	$44,357
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary loss on early extinguishment of debt	11,810	—	—
Cumulative effect of accounting change	(3,819)	—	—
Depreciation and amortization	37,279	35,907	37,263
Deferred income taxes	4,833	(19,970)	1,814
Resizing, restructuring and other unusual charges	—	50,898	—
Proceeds from sale of trading securities	31,566	—	—
Changes in operating working capital:			
(Increase) decrease in receivables	(8,590)	(633)	2,940
(Increase) decrease in inventories and other current assets	(9,944)	(1,035)	2,969
Increase (decrease) in payables, accruals and income taxes	22,423	8,704	(5,228)
Other	(4,814)	(1,288)	(5,529)
Total operating activities	111,744	65,251	78,586
Investing activities:			
Additions to property, plant and equipment	(23,071)	(38,324)	(23,990)
Purchase of businesses and investments	(1,144)	(16,585)	(16,992)
Decrease in marketable securities	5,843	14,998	15,965
Proceeds from sale of investments	11,541	7,795	12,806
Other	(232)	244	781
Total investing activities	(7,063)	(31,872)	(11,430)
Financing activities:			
Cash dividends paid	(8,910)	(25,095)	(29,991)
Additional long-term borrowings	306,004	—	3,755
Repayment of long-term debt	(292,506)	(19,411)	(20,041)
Debt prepayment premiums and debt issuance costs	(29,211)	—	—
Repurchases of common stock	(118,832)	(8,878)	—
Other	5,554	1,335	3,388
Total financing activities	(137,901)	(52,049)	(42,889)
(Decrease) increase in cash and cash equivalents	(33,220)	(18,670)	24,267
Cash and cash equivalents:			
Beginning of year	40,468	59,138	34,871
End of year	$ 7,248	$40,468	$59,138

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents, Securities and Other Investments

All highly liquid investments with maturities of three months or less when purchased are considered cash equivalents. Marketable equity securities and fixed income securities which are available for sale are carried at market value. Unrealized holding gains and losses on securities classified as available for sale, less deferred income taxes, are reflected as a component of stockholders' equity. Unrealized holding gains and losses on securities classified as trading are reported in earnings. At December 31, 1994, the Company classified all of its equity securities and fixed income securities as available for sale. Other investments are accounted for by the equity method.

13. Additional Income Statement and Cash Flow Information

Included in other income, net, is interest and other investment income of $5.0 million, $8.4 million, and $8.6 million for 1994, 1993 and 1992. Income taxes paid in 1994, 1993 and 1992 were $13.6 million, $13.8 million, and $21.8 million. Cash paid for interest for each of the three years approximated interest expense.

UNIVERSAL CORPORATION

Consolidated Statements of Cash Flows

	Years Ended June 30,		
(In thousands of dollars)	1994	1993	1992
Cash Flows from Operating Activities:			
Net income	$ 9,158	$ 80,242	$ 70,721
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	29,406		
Restructuring charge ($17,500 less cash payments of $2,000)	15,500		
Depreciation	37,086	32,773	29,169
Amortization	7,790	2,878	2,975
Deferred taxes	(471)	4,731	705
Translation loss — net	6,718	2,434	5,605
Other	(3,963)	(8,119)	(8,620)
	101,224	114,939	100,555
Changes in operating assets and liabilities net of effects from purchase of businesses:			
Accounts and notes receivable	(29,998)	(55,298)	77,207
Inventories and other current assets	440	(933)	(130,029)
Income taxes	(7,712)	(4,288)	(3,500)
Accounts payable and other accrued liabilities	(36,824)	10,250	7,051
Net cash provided by operating activities	27,130	64,670	51,284
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(23,728)	(37,474)	(47,129)
Purchase of businesses (net of cash acquired)	(21,861)	(84,850)	(19,034)
Sales of property, plant and equipment	4,035	6,935	9,760
Other	507	(827)	4,307
Net cash used in investing activities	(41,047)	(116,216)	(52,096)
Cash Flows from Financing Activities:			
Issuance of short-term debt — net	107,147	80,315	18.952
Repayment of short-term debt classified as long-term June 30, 1993	(100,000)		
Repayment of long-term debt	(22,829)	(40,948)	(31,803)
Issuance of long-term debt	119,000	5,820	63.441
Issuance (purchase) of common stock	(11,437)	70,943	1,576
Dividends paid	(32,775)	(28,220)	(25,600)
Net cash provided by financing activities	59,106	87,910	26,566
Effect of exchange rate changes on cash	(362)	655	(2,616)
Net increase in cash and cash equivalents	44,827	37,019	23,138
Cash and cash equivalents at beginning of year	119,693	82,674	59,536
Cash and Cash Equivalents at End of Year	$164,520	$119,693	$ 82,674
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 53,761	$ 41,483	$ 44,473
Income taxes — net of refunds	$ 19,767	$ 39,539	$ 28,501

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Consolidated Statements of Cash Flows

For purposes of these statements, the Company considers all highly liquid investments, with an original maturity of three months or less at the time of purchase, to be cash equivalents.

Sale Of Receivables

BLOUNT, INC.

Consolidated Statements of Cash Flows

	For the years ended the last day of February		
In thousands	1994	1993	1992
Cash flows from operating activities:			
Net income	$ 14,080	$ 7,239	$ 683
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary loss (gain)	(92)	119	
Cumulative effect of accounting changes			(6,014)
Depreciation, amortization and other noncash charges	23,576	24,357	23,701
Deferred income taxes	(15,031)	(8,558)	(3,064)
Loss (gain) on disposals of property, plant and equipment	3,349	1,482	(2,161)
Changes in assets and liabilities, net of effects of acquisitions of businesses:			
Increase (decrease) in aggregate balance of accounts receivable sold	(17,637)	3,637	14,000
Decrease in accounts receivable	1,135	2,684	9,451
(Increase) decrease in inventories	(4,280)	9,569	19
(Increase) decrease in other assets	12,337	140	(4,916)
Increase (decrease) in accounts payable	7,975	2,929	(5,027)
Increase in accrued expenses	12,701	8,135	8,534
Increase (decrease) in other liabilities	(8,946)	16,402	(22,038)
Net cash provided by operating activities	29,167	68,135	13,168
Cash flows from investing activities:			
Proceeds from sale of businesses and property, plant and equipment	3,916	11,129	16,496
Purchases of property, plant and equipment	(14,605)	(17,965)	(15,546)
Acquisitions of businesses			(14,590)
Net cash used in investing activities	(10,689)	(6,836)	(13,640)
Cash flows from financing activities:			
Net reduction in short-term borrowings	(2,246)	(15,903)	(568)
Issuance of long-term debt	97,327		
Reduction of long-term debt	(75,325)	(29,615)	(8,876)
Dividends paid	(5,473)	(5,219)	(5,154)
Purchase of treasury stock			(682)
Issuance of stock under stock option and dividend reinvestment plans	1,729	529	53
Net cash provided by (used in) financing activities	16,012	(50,208)	(15,227)
Net increase (decrease) in cash and cash equivalents	34,490	11,091	(15,699)
Cash and cash equivalents at beginning of period	17,723	6,632	22,331
Cash and cash equivalents at end of period	$ 52,213	$ 17,723	$ 6,632

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Statements of cash flows:

For purposes of the statements of cash flows, the Company considers all highly liquid temporary cash investments that are readily convertible to known amounts of cash and present minimal risk of changes in value because of changes in interest rates to be cash equivalents.

Note 3 (In Part): Debt and Financing Agreements

In November 1991, the Company entered into a three year agreement expiring December 1994 with a major bank under which it has the right to sell, on a limited recourse basis, up to $25 million of undivided interests in a pool of eligible accounts receivable. The purchaser's level of investment is subject to change based on the level of eligible receivables. As of the last day of February 1994, the Company had temporarily discontinued the sale of receivables under this agreement and all receivables sold had been collected. At February 28, 1993, the uncollected balance of accounts receivable sold under this agreement was $17 million. The accounts receivable sold are reflected as a reduction of accounts receivable in the accompanying balance sheets. Other expense, net includes expenses of approximately $405 thousand, $878 thousand and $388 thousand in 1994, 1993 and 1992 related to the sale of accounts receivable under this agreement.

Note 11 (In Part): Supplemental Information

Supplemental cash flow information is as follows (in thousands):

	1994	1993	1992
Interest paid	$ 12,121	$ 11,203	$ 15,540
Income taxes paid	18,572	7,193	3,628
Capital lease obligations incurred (terminated)	106	2,408	(7,056)
Issuance of Company stock to employee benefits plan	1,234	1,800	1,278
Acquisitions of businesses (see Note 4):			
Fair value of assets acquired			20,062
Liabilities assumed and incurred			5,477
Cash paid			14,585

Litigation Settlement

ADVANCED MICRO DEVICES, INC.

Consolidated Statements of Cash Flows

Three years ended December 25, 1994 *(Thousands)*	1994	1993	1992
Cash Flows from Operating Activities:			
Net income	$ 305,266	$ 228,781	$ 245,011
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	215,984	175,275	152,313
Litigation settlement	58,000	—	—
Net (gain) loss on sale of property, plant, and equipment	276	(2,943)	1,325
Write-down of property, plant, and equipment	2,230	366	222
Gain realized on available-for-sale securities	—	—	(10,689)
Compensation recognized under employee stock plans	1,971	1,313	3,039
Undistributed loss of joint venture	10,585	634	—
Changes in operating assets and liabilities:			
Net increase in receivables, inventories, prepaid expenses, and other assets	(114,566)	(57,269)	(2,471)
Net increase in deferred income taxes	(21,072)	(27,021)	(19,109)
Increase in income tax payable	61,910	70,502	13,386
Net increase in payables and accrued liabilities	52,589	69,750	16,212
Net cash provided by operating activities	573,173	459,388	399,239
Cash Flows from Investing Activities:			
Purchase of property, plant, and equipment	(548,742)	(323,669)	(222,064)
Proceeds from sale of property, plant, and equipment	2,058	4,648	1,261
Proceeds from available-for-sale securities	—	—	21,263
Purchase of held-to-maturity debt securities	(1,245,167)	(715,487)	(594,801)
Proceeds from sale of held-to-maturity debt securities	1,416,431	566,773	432,590
Investment in joint venture	(139,175)	(3,160)	—
Net cash used in investing activities	(514,595)	(470,895)	(361,751)
Cash Flows from Financing Activities:			
Proceeds from borrowings	42,025	10,238	8,898
Principal payments on borrowings	(68,898)	(22,386)	(153,094)
Proceeds from issuance of stock	39,565	42,401	15,145
Payments of preferred stock dividends	(10,350)	(10,350)	(10,350)
Net cash provided by (used in) financing activities	2,342	19,903	(139,401)
Net Increase (Decrease) in Cash and Cash Equivalents	60,920	8,396	(101,913)
Cash and cash equivalents at beginning of year	60,423	52,027	153,940
Cash and cash equivalents at end of year	$ 121,343	$ 60,423	$ 52,027
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 977	$ 2,123	$ 15,136
Income taxes	$ 111,704	$ 44,433	$ 32,149
Non-cash financing activities:			
Equipment capital leases	$ 34,202	$ 64,512	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash equivalents: Cash equivalents consist of financial instruments which are readily convertible to cash and have original maturities of three months or less at the time of acquisition.

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

GENUINE PARTS COMPANY

Consolidated Statements of Cash Flows

	Year Ended December 31		
(dollars in thousands)	1994	1993	1992
Operating Activities			
Net income	$ 288,548	$ 257,813	$ 236,970
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	37,374	34,420	31,687
Gain on sale of property, plant and equipment	(158)	(1,342)	(895)
Provision for deferred taxes	6,699	5,990	3,896
Equity in income from investees	(7,224)	(4,452)	(2,513)
Income applicable to minority interests	2,373	2,090	1,537
Changes in operating assets and liabilities:			
Trade accounts receivable	(58,484)	(25,759)	(33,455)
Merchandise inventories	(125,426)	(91,462)	(60,614)
Prepaid expenses and other current accounts	(11,097)	(1,413)	488
Trade accounts payable	57,641	18,319	22,090
Income taxes payable and other current liabilities	8,708	6,367	(12,987)
	(89,594)	(57,242)	(50,766)
Net Cash Provided by Operating Activities	198,954	200,571	186,204
Investing Activities			
Acquisition of Davis & Wilmar, Inc., net of cash acquired of $3,556	—	—	(28,444)
Investment in Grupo Auto Todo	(26,009)	—	—
Purchase of property, plant and equipment	(66,002)	(57,513)	(31,585)
Proceeds from sale of property, plant and equipment	2,885	4,831	3,862
Purchase of short-term investments	—	(64,599)	(12,010)
Proceeds from sale and maturity of short-term investments	64,599	12,010	17,698
Other investing activities	(9,062)	(12,962)	(9,696)
Net Cash Used in Investing Activities	(33,589)	(118,233)	(60,175)
Financing Activities			
Payments on long-term debt	(698)	(804)	(5,954)
Stock options exercised	4,368	2,759	3,368
Dividends paid	(140,289)	(129,846)	(127,338)
Purchase of stock	(70,345)	—	(4,896)
Contributions from minority interests	778	765	822
Net Cash Used in Financing Activities	(206,186)	(127,126)	(133,998)
Net Decrease in Cash and Cash Equivalents	(40,821)	(44,788)	(7,969)
Cash and Cash Equivalents at Beginning of Year	123,231	168,019	175,988
Cash and Cash Equivalents at End of Year	$ 82,410	$ 123,231	$ 168,019
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Income taxes	$ 178,307	$ 160,944	$ 154,498
Interest	$ 1,333	$ 1,587	$ 1,890

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

DOW JONES & COMPANY, INC.

Consolidated Statements of Cash Flows

	For the years ended December 31		
(in thousands)	1994	1993	1992
Operating Activities:			
Net income	$178,173	$147,547	$107,586
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	164,333	147,495	138,372
Amortization of excess of cost over net assets of businesses acquired	40,920	41,170	40,940
(Gain) on sale of businesses and investments	(3,097)	(868)	(1,121)
(Gain) loss on disposition of plant and property	(1,965)	(529)	2,011
Write-down of investments	3,582	8,171	13,422
Cumulative effect of accounting changes	3,007		10,805
Equity in losses (earnings) of associated companies, net of distributions	6,762	4,690	4,423
Changes in assets and liabilities:			
Accounts receivable—trade	(35,604)	(29,679)	371
Unearned revenue	14,376	13,451	1,554
Newsprint inventory	(256)	(346)	302
Other current assets	2,467	(3,834)	(3,552)
Accounts payable and accrued liabilities	22,220	1,252	(2,330)
Income taxes	12,948	1,429	(2,514)
Deferred taxes	(16,867)	(5,724)	(16,720)
Deferred compensation	9,387	8,716	10,285
Other, net	656	2,768	1,771
Net cash provided by operating activities	401,092	335,709	305,605
Investing Activities:			
Additions to plant and property	(222,434)	(159,943)	(125,626)
Disposition of plant and property	18,608	7,542	11,567
Businesses and investments acquired, net of cash received	(47,327)	(24,915)	(10,608)
Businesses and investments sold, net of cash given	5,218	4,694	3,083
Return of capital by investees	2,527	1,859	
Proceeds from guaranteed investment contract	5,318	5,318	5,318
Investees' (loans) repayments	(3,632)	(185)	100
Net cash used in investing activities	(241,722)	(165,630)	(116,166)
Financing Activities:			
Cash dividends	(83,360)	(79,833)	(76,912)
Increase in long-term debt	231,679	47,278	86,055
Reduction of long-term debt	(197,318)	(121,188)	(199,746)
Proceeds from sales under stock purchase plans	17,001	22,553	10,815
Purchase of treasury stock	(118,219)	(48,312)	(28,429)
Net cash used in financing activities	(150,217)	(179,502)	(208,217)
Effect Of Exchange Rate Changes On Cash	(3,917)	(1,341)	(828)
Increase (Decrease) In Cash And Cash Equivalents	5,236	(10,764)	(19,606)
Cash and cash equivalents at beginning of year	5,652	16,416	36,022
Cash and cash equivalents at end of year	$ 10,888	$ 5,652	$ 16,416

NOTES TO 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 5 (In Part): Long-Term Debt

Payments on long-term debt are due as follows: $5,318,000 in each year from 1995 through 1998, $268,962,000 in 1999 and $10,636,000 thereafter. Interest payments were $21,989,000 in 1994, $22,459,000 in 1993 and $31,825,000 in 1992.

Note 7 (In Part): Income Taxes

Income tax payments were $161,551,000 in 1994, $142,988,000 in 1993 and $135,180,000 in 1992.

GLOBAL MARINE INC.

Consolidated Statement of Cash Flows

	Year Ended December 31,		
(In millions)	1994	1993	1992
Cash flows from operating activities			
Net income (loss)	$ 1.3	$(26.5)	$57.2
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	37.4	35.9	47.1
Deferred interest	—	—	18.3
Proceeds from settlement of litigation	—	—	(35.0)
Gain on extinguishment of debt	—	—	(28.3)
Gain on sale of offshore drilling rigs, net	—	—	(10.9)
Cumulative effect of changes in accounting principles, net	3.5	—	(1.4)
(Increase) decrease in accounts receivable	(5.2)	(11.5)	11.9
Decrease in note receivable	17.9	—	—
(Increase) decrease in costs incurred on turnkey drilling contracts in progress	(17.0)	(1.5)	4.0
Increase in other current assets	(1.9)	(0.7)	(2.3)
Increase in accounts payable	19.6	4.7	0.8
Increase (decrease) in accrued liabilities	1.2	(2.5)	3.1
Other net	4.5	1.4	1.5
Net cash flow provided by (used in) operating activities	61.3	(0.7)	66.0
Cash flows from investing activities			
Capital expenditures	(75.9)	(40.6)	(20.9)
Purchases of held-to-maturity securities	(64.7)	(26.7)	(48.8)
Proceeds from maturities of held-to-maturity securities	60.2	16.8	70.2
Proceeds from sales of available-for-sale securities	15.6	—	—
Disposals of properties	2.6	10.3	21.8
Other	2.1	(1.9)	(0.3)
Net cash flow provided by (used in) investing activities	(60.1)	(42.1)	22.0
Cash flows from financing activities			
Common stock offerings, net of expenses	—	74.2	51.3
Payments on long-term debt	—	(25.4)	(359.1)
Issuance of long-term debt	—	—	225.0
Debt issue costs	—	—	(8.2)
Other	0.9	1.9	0.8
Net cash flow provided by (used in) financing activities	0.9	50.7	(90.2)
Increase (decrease) in cash and cash equivalents	2.1	7.9	(2.2)
Cash and cash equivalents at beginning of year	31.2	23.3	25.5
Cash and cash equivalents at end of year	$33.3	$ 31.2	$23.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash equivalents consist of all highly liquid debt instruments with remaining maturities of three months or less at the time of purchase.

12. Supplemental Cash Flow Information

Cash interest payments during 1994, 1993 and 1992 totaled $28.7 million, $28.9 million and $23.5 million, respectively. Cash payments for income taxes totaled $1.1 million in 1994, $5.4 million in 1993 and $1.4 million in 1992.

During 1994, the Company acquired two offshore drilling rigs for $26.0 million in cash plus 750,000 shares of Global Marine Inc. common stock.

In September 1993, the Company acquired a 100 percent ownership interest in three offshore drilling rigs in exchange for a 100 percent ownership interest in its offshore drilling rig, the *Glomar Moray Firth I,* plus $17.0 million in cash.

During 1992, in accordance with provisions of its debt agreements, the Company deferred the payment of interest totaling $18.3 million. This amount was added to outstanding principal prior to payment.

SCOPE INDUSTRIES

Consolidated Statements of Cash Flows

	For the years ended June 30,		
	1994	1993	1992
Cash Flows From Operating Activities:			
Net income (loss)	$1,564,570	$(11,409,393)	$ (678,220)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	2,250,183	2,338,019	2,548,140
(Gains) losses on marketable securities	(1,619,311)	9,828,379	(363,802)
(Gains) losses on sale of equipment	(20,875)	111,454	(15,771)
Deferred income taxes		(296,160)	(100,000)
Provision for doubtful accounts receivable	159,598	(5,162)	(88,771)
Provision for loss on note receivable	250,000	450,000	
Other		(309)	2,473
Changes in operating assets and liabilities:			
Accounts and notes receivable	(113,001)	177,254	9,066
Inventories	88,857	25,729	(36,070)
Prepaid expenses and other current assets	(203,531)	(51,954)	(311,828)
Accounts payable and accrued liabilities	(267,862)	(728,823)	(668,819)
Income taxes payable, net of refundable taxes	7,930	374,068	(48,051)
Net cash flows from operating activities	2,096,558	813,102	248,347
Cash Flows From Investing Activities:			
Purchase of U.S. Treasury bills	(5,489,619)	(7,757,130)	(12,548,172)
Maturities or dispositions of U.S. Treasury bills	5,000,000	8,995,360	15,747,083
Purchase of property and equipment	(2,630,917)	(2,057,424)	(2,399,166)
Disposition of property and equipment	74,700	233,248	33,519
Purchase of long-term notes receivable		(1,690,000)	
Purchase of non-current marketable securities	(4,220,391)	(809,762)	(3,203,484)
Disposition of non-current marketable securities	5,001,175	3,624,606	4,190,111
Other		(230,000)	19,835
Net cash flows (used in) from investing activities	(2,265,052)	308,898	1,839,726
Cash Flows From Financing Activities:			
Dividends to shareowners	(379,029)	(785,617)	(800,737)
Repurchases of common stock	(350,445)	(1,154,826)	(697,192)
Bank overdraft	427,197		
Net cash used in financing activities	(302,277)	(1,940,443)	(1,497,929)
Net (decrease) increase in cash and cash equivalents	(470,771)	(818,443)	590,144
Cash and cash equivalents at beginning of year	501,168	1,319,611	729,467
Cash and cash equivalents at end of year	$ 30,397	$ 501,168	$1,319,611
Supplemental Disclosures:			
Cash paid during the year for:			
Interest	$ 8,960	$ 5,500	$ 11,746
Income taxes	$ 27,110	$ 30,431	$ 31,281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents:

The Company considers all liquid debt instruments to be cash equivalents if the securities mature within 90 days of acquisition.

Loans Receivable

CALMAT CO.

Consolidated Statements of Cash Flow

(Amounts in thousands)	For the years ended December 31, 1994	1993	1992
OPERATING ACTIVITIES:			
Net income (loss)	$ 18,728	$ 9,216	$(16,504)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, cost depletion and amortization	29,929	31,953	30,210
Cumulative effect of change in accounting principle	—	(919)	6,000
Special charges	—	—	26,100
Gains from disposal of assets held for sale	—	—	(1,786)
Gains from sale of real estate	(7,678)	(2,081)	(453)
Gains on disposal of property, plant and equipment	(291)	(379)	(3)
Deferred tax expense	2,075	2,184	(7,144)
Changes in operating assets and liabilities			
Trade accounts, net	3,690	(9,552)	3,340
Inventories, prepaid expenses and deferred taxes	(5,103)	2,094	(1,154)
Accounts payable and accrued liabilities	1,984	7,906	(3,368)
Federal and state income taxes	850	3,349	(6,658)
Other	(174)	111	(499)
Cash provided by operating activities	44,010	43,882	28,081
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(25,836)	(12,063)	(32,732)
Proceeds from sale of property, plant and equipment	773	1,922	640
Proceeds from sale of real estate	20,957	3,188	351
Proceeds from sale of properties included in assets held for sale	—	—	2,141
Receipts on installment notes receivable	2,397	1,638	1,777
Investment in and advances to affiliates	52	(214)	(189)
Business acquired	—	—	(34,111)
Other investing activities	—	1,275	(472)
Cash used for investing activities	(1,657)	(4,254)	(62,595)
FINANCING ACTIVITIES:			
Stock options exercised	551	335	546
Notes payable to banks	(21,759)	(50,667)	39,000
Proceeds from senior notes	—	35,000	—
Principal payments on notes and bonds payable	(20,721)	(994)	(46)
Payment of cash dividends	(9,253)	(10,624)	(14,833)
Common stock repurchases	—	—	(2,214)
Hedge costs and other loan fees, net	372	(2,082)	—
Cash provided by (used for) financing activities	(50,810)	(29,032)	22,453
Increase (decrease) in cash and cash equivalents	(8,457)	10,596	(12,061)
Balance, beginning of period	10,596	—	12,061
Balance, end of period	$ 2,139	$ 10,596	$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 6,827	$ 7,103	$ 7,186
Income taxes	10,602	3,844	9,910

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less when purchased.

GANNETT CO., INC.

Consolidated Statements of Cash Flows

In thousands of dollars	Dec. 25, 1994	Fiscal year ended Dec. 26, 1993	Dec. 27, 1992
Cash flows from operating activities			
Net income	$465,399	$397,752	$199,680
Adjustments to reconcile net income to operating cash flows			
Cumulative effect on prior years of accounting principle changes (Notes 6 and 7)			146,000
Depreciation	163,242	164,420	157,242
Amortization of intangibles	45,554	45,215	40,629
Deferred income taxes	(40,623)	20,315	(17,227)
Other, net	42,933	36,032	25,358
Changes in assets and liabilities, net of effect of acquisitions			
Increase in receivables	(49,978)	(18,273)	(12,607)
Decrease (increase) in inventories	(140)	(1,709)	3,405
Decrease (increase) in film broadcast rights, net of liabilities	(1,008)	51	12,696
Increase (decrease) in accounts payable	29,368	(3,270)	(5,418)
Increase (decrease) in interest and taxes payable	35,374	16,117	(23,025)
Changes in other assets and liabilities, net	24,176	13,610	18,222
Net cash provided by operating activities	714,297	670,260	544,955
Cash flows from investing activities			
Purchase of property, plant and equipment	(144,854)	(132,122)	(154,072)
Payments for acquisitions, net of cash acquired	(28,258)	(5,291)	(591)
Increase in partnership and other investments	(23,500)	(167)	(5,000)
Proceeds from sale of assets	130,387	20,531	28,535
Collection of long-term receivables	1,658	2,998	6,880
Net cash used for investing activities	(64,567)	(114,051)	(124,248)
Cash flows from financing activities			
Proceeds from long-term debt		525,000	
Payments of long-term debt	(85,265)	(897,942)	(254,731)
Dividends paid	(194,465)	(188,425)	(180,029)
Common stock transactions, net	(395,117)	9,899	21,227
Net cash used for financing activities	(674,847)	(551,468)	(413,533)
Effect of currency exchange rate change	(6,126)	(2,575)	(4,518)
Net increase (decrease) in cash and cash equivalents	(31,243)	2,166	2,656
Cash and cash equivalents at beginning of year	75,495	73,329	70,673
Cash and cash equivalents at end of year	$ 44,252	$ 75,495	$ 73,329

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Statement of Cash Flows

For purposes of this statement, the Company considers its marketable securities, which are readily convertible into cash (with original maturity dates of less than 90 days) and consist of short-term investments in government securities, commercial paper and money market funds, as cash equivalents.

Cash paid in 1994, 1993 and 1992 for income taxes and for interest (net of amounts capitalized) was as follows:

In thousands of dollars	1994	1993	1992
Income taxes	$264,601	$249,858	$274,741
Interest	$ 45,740	$ 43,967	$50,871

In 1994, the Company issued 506,000 shares of its common stock from treasury valued at approximately $26 million in connection with the acquisition of KTHV-TV in Little Rock.

In 1993, the Company issued 1,980,000 shares of its common stock from treasury valued at approximately $100 million in connection with the acquisition of the Honolulu Advertiser and assumed net liabilities totaling approximately $150 million.

In 1994, 1993 and 1992, the Company issued 134,243 shares, 146,371 shares and 142,383 shares, respectively, in settlement of previously granted stock incentive rights. The compensation liability for these rights of $8 million in 1994 and $7 million in 1993 and in 1992 was transferred to shareholders' equity at the time the shares were issued.

Purchase Method Business Combinations

JOHNSON & JOHNSON

Consolidated Statement of Cash Flows

(Dollars in Millions)	1994	1993	1992
Cash flows from operating activities			
Net earnings	$ 2,006	1,787	1,030
Adjustments to reconcile net earnings to cash flows:			
Cumulative effect of accounting changes	—	—	595
Depreciation and amortization of property and intangibles	724	617	560
Tax deferrals	(66)	(19)	(8)
Changes in assets and liabilities, net of effects from acquisition of businesses:			
Increase in accounts receivable, less allowances	(239)	(310)	(211)
Increase in inventories	(162)	(29)	(142)
Increase (decrease) in accounts payable and accrued liabilities	462	(3)	345
(Increase) decrease in other current and non-current assets	(112)	102	(199)
Increase in other current and non-current liabilities	362	23	179
Net cash flows from operating activities	2,975	2,168	2,149
Cash flows from investing activities			
Additions to property, plant and equipment	(937)	(975)	(1,103)
Proceeds from the disposal of assets	332	66	91
Acquisition of businesses, net of cash acquired (Note 18)	(1,932)	(266)	(47)
Other, principally marketable securities	(19)	(86)	(114)
Net cash used by investing activities	(2,556)	(1,261)	(1,173)
Cash flows from financing activities			
Dividends to stockholders	(727)	(659)	(587)
Repurchase of common stock	(185)	(632)	(740)
Proceeds from short-term debt	328	297	409
Retirement of short-term debt	(263)	(336)	(237)
Proceeds from long-term debt	960	511	560
Retirement of long-term debt	(363)	(468)	(264)
Proceeds from the exercise of stock options	62	43	74
Net cash used by financing activities	(188)	(1,244)	(785)
Effect of exchange rate changes on cash and cash equivalents	33	(36)	(35)
Increase (decrease) in cash and cash equivalents	264	(373)	156
Cash and cash equivalents, beginning of year (Note 1)	372	745	589
Cash and cash equivalents, end of year (Note 1)	$ 636	372	745
Supplemental cash flow data			
Cash paid during the year for:			
Interest, net of portion capitalized	$ 133	118	124
Income taxes	612	665	561
Supplemental schedule of noncash investing and financing activities			
Treasury stock issued for employee compensation and stock option plans, net of cash proceeds	$ 133	95	163
Acquisitions of businesses			
Fair value of assets acquired	$ 2,279	339	47
Fair value of liabilities assumed	(347)	(73)	—
Net cash payments	$ 1,932	266	47

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents

The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

18 (In Part): Acquisitions and Divestitures

During 1994 and 1993, certain businesses were acquired for $1,932 million and $266 million, respectively. These acquisitions were accounted for by the purchase method and accordingly the results of operations of the acquired businesses have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

On September 27, 1994, the Company acquired substantially all of the outstanding shares of the Neutrogena Corporation pursuant to a cash tender offer. On October 3, 1994 the Company consummated a short form merger pursuant to which the remaining shares were acquired. The price, net of cash acquired, was approximately $924 million. Neutrogena Corporation is a manufacturer of high quality skin and hair care products.

On November 30, 1994 the Company acquired Eastman Kodak's Clinical Diagnostics business, a worldwide supplier of diagnostic products, for $1,008 million.

The estimated fair market value of net assets acquired in the Neutrogena and Clinical Diagnostics acquisitions is $439 million. The excess of purchase price over the estimated fair value has been allocated to identifiable intangibles ($849 million) and goodwill ($644 million). Identifiable intangibles and goodwill are being amortized on a straight line basis over periods of 15 to 40 years.

SUN COMPANY, INC.

Consolidated Statements of Cash Flows

	For the Years Ended December 31		
(Millions of Dollars)	1994	1993	1992
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Net income (loss)	$ 90	$ 288	$(559)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Income from discontinued operations	—	—	(19)
Cumulative effect of change in accounting principle	7	(5)	261
Provision for write-down of assets and other matters	54	23	745
Gain on litigation settlement	—	—	(178)
Gain on divestments	(51)	(174)	(5)
Depreciation, depletion and amortization	359	354	385
Dry hole costs and leasehold impairment	14	14	34
Deferred income taxes	(60)	59	(265)
Changes in working capital pertaining to operating activities:			
Accounts and notes receivable	(85)	106	132
Inventories	(41)	(13)	13
Accounts payable and accrued liabilities	107	(277)	(298)
Taxes payable	47	(3)	(2)
Other	40	41	61
Net cash provided by operating activities	481	413	305
Cash Flows from Investing Activities:			
Capital expenditures	(848)	(612)	(530)
Acquisition of Girard Point refinery and related assets (Note 2)	(164)	—	—
Cash provided by coal operations held for sale	30	161	42
Cash provided by (used in) real estate operations held for sale	13	(7)	(72)
Proceeds from divestments	131	370	103
Proceeds from litigation settlement	—	—	130
Other	2	(26)	1
Net cash used in investing activities	(836)	(114)	(326)
Cash Flows from Financing Activities:			
Net proceeds from (repayments of) short-term borrowings	111	(105)	72
Proceeds from issuance of long-term debt	543	26	88
Repayments of long-term debt	(115)	(97)	(140)
Cash dividend payments	(192)	(192)	(191)
Other	7	8	8
Net cash provided by (used in) financing activities	354	(360)	(163)
Net decrease in cash and cash equivalents	(1)	(61)	(184)
Cash and cash equivalents at beginning of year	118	179	363
Cash and cash equivalents at end of year	$ 117	$ 118	$ 179

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. Cash equivalents and investments are stated at cost which approximates market value.

2 (In Part): Changes in Business

Acquisition of Girard Point Refinery and Related Assets

Sun concluded the purchase from Chevron U.S.A. Inc. ("Chevron") of its 177,000 barrel-per-day refinery ("Girard Point") and related inventory located in Philadelphia, PA on August 4, 1994 and its interest in the Woodbury and Harbor Pipelines, which connect the refinery to the New York Harbor, on October 26, 1994. As part of the acquisition, Sun assumed certain liabilities. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of these assets have been included in the consolidated statement of income since their respective acquisition dates. The purchase price of $164 million has been allocated to the assets acquired and liabilities assumed on the basis of their relative fair market values (Note 18).

The unaudited pro forma sales and other operating revenue (excluding consumer excise taxes) of Sun for the years ended December 31, 1994 and 1993, as if the acquisition of these assets had occurred on January 1, 1993, were $8,417 and $8,757 million, respectively. The unaudited pro forma net income and net income per share of common stock of Sun for the years ended December 31, 1994 and 1993 were $102 million ($.95 per share of common stock) and $315 million ($2.96 per share of common stock), respectively. The pro forma information does not purport to be indicative of the results that actually would have been obtained if the combined operations had been conducted during the periods presented and is not intended to be a projection of future results.

Actual sales and other operating revenue (excluding consumer excise taxes) and net income attributable to these assets from their respective acquisition dates through December 31, 1994 amounted to $644 and $11 million, respectively.

18. Supplemental Cash Flow Information

During 1994, Sun acquired from Chevron the Girard Point refinery located in Philadelphia, related inventory and certain pipeline interests (Note 2) and in 1992, Sun settled its dispute with the Iranian government concerning the expropriation of Sun's oil production interests in Iran (Note 3). The following is a summary of the effects of these transactions on Sun's consolidated financial position (in millions of dollars):

	Acquisition of Girard Point Refinery and Related Assets	Iranian Settlement
(Increase) decrease in:		
Inventories	$(108)	$ —
Properties, plants and equipment	(149)	—
Increase (decrease) in:		
Accounts payable and accrued liabilities	10	(48)
Taxes payable	—	33
Retirement benefit liabilities	22	—
Deferred income taxes	—	28
Other deferred credits and liabilities	61	—
Earnings employed in the business	—	117
Net increase (decrease) in cash and cash equivalents	$(164)	$130

Cash payments for income taxes were $58, $116 and $94 million in 1994, 1993 and 1992, respectively. Cash payments for interest, net of amounts capitalized, were $74, $73 and $91 million in 1994, 1993 and 1992, respectively.

Restricted Cash

GOULDS PUMPS, INC.

Consolidated Statements of Cash Flows

	For the years ended December 31,		
(Dollars in thousands)	1994	1993	1992
Operating activities:			
Net earnings (loss) from operations	$18,201	$22,548	$ (7,893)
Adjustments to reconcile net earnings (loss) from operations to net cash provided by operations:			
Depreciation	24,925	24,788	23,819
Amortization	1,428	1,170	1,161
Cumulative effect of accounting changes	—	1,579	47,978
Restructuring charge	3,463	—	6,300
Earnings from affiliates	(451)	(4,569)	(711)
Dividends received from affiliates	11,622	4,425	1,197
Increase (decrease) in deferred tax liability	(1,008)	1,110	(15,985)
Increase in deferred tax asset	(1,852)	(2,869)	(7,607)
Decrease (increase) in receivables—net	(6,295)	(18,312)	217
Increase in inventories	(4,566)	(12,493)	(12,583)
Increase in trade payables, accrued expenses, and other	10,808	4,939	7,145
Other—net	4,755	(2,474)	4,068
Net cash provided by operating activities	61,030	19,842	47,106
Investing activities:			
Capital additions	(28,080)	(24,650)	(40,004)
Investment in Vogel	(17,800)	—	—
Investment in insurance certificates	—	(6,317)	—
Collection of long-term note receivable	3,033	1,033	1,311
Decrease in investments of unexpended revenue bond funds included in other assets	2,015	—	6,045
Purchases of other assets	(5,376)	(5,340)	(5,541)
Other—net	427	41	1,092
Net cash applied to investing activities	(45,781)	(35,233)	(37,097)
Financing activities:			
Proceeds from long-term debt	12,446	30,099	11,513
Payments on long-term debt	(2,319)	(13,172)	(15,704)
Increase (decrease) in short-term borrowings	(9,776)	9,752	6,713
Proceeds from issuance of common stock	617	1,334	3,588
Dividends paid	(16,937)	(17,106)	(16,889)
Net cash provided by (applied to) financing activities	(15,969)	10,907	(10,779)
Effect of exchange rate changes on cash	941	(2,044)	(1,921)
Increase (decrease) in cash and cash equivalents	221	(6,528)	(2,691)
Cash and cash equivalents, beginning of year	7,153	13,681	16,372
Cash and cash equivalents, end of year	$ 7,374	$ 7,153	$ 13,681
Supplemental Cash Flow Information:			
Interest paid	$ 6,479	$ 4,721	$ 4,890
Income taxes paid	13,956	13,437	21,151
Noncash investing and financing activities:			
Change in additional minimum pension liability	(3,753)	5,005	125

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less.

MAXUS ENERGY CORPORATION

Consolidated Statement of Cash Flows

(In millions)	Year Ended December 31, 1994	1993	1992
Cash Flows From Operating Activities:			
Net income (loss)	$ (22.7)	$ (49.4)	$ 74.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary item		7.1	
Cumulative effect of change in accounting principle		4.4	
Depreciation, depletion and amortization	140.2	153.6	174.4
Dry hole costs	2.8	5.7	12.9
Write-off of insurance receivable			19.6
Income taxes	(9.3)	22.3	3.6
Net gain on sale of assets	(166.7)	(13.8)	(3.7)
Postretirement benefits	6.2	6.6	
Restructuring costs	91.0		
Environmental studies and remediation	60.5	17.9	5.7
Other	9.2	15.1	24.1
Changes in components of working capital:			
Receivables	(1.8)	(21.5)	(12.8)
Inventories, prepaids and other current assets	(2.3)	(6.4)	(2.2)
Accounts payable	(22.3)	9.0	(2.1)
Accrued liabilities	(12.5)	(5.2)	30.5
Taxes payable/receivable	(2.8)	(8.8)	(5.4)
Deferred revenue			(21.7)
Net Cash Provided by Operating Activities	69.5	136.6	297.1
Cash Flows From Investing Activities:			
Expenditures for properties and equipment—including dry hole costs	(166.2)	(340.0)	(261.1)
Expenditures for investments	(20.1)	(20.4)	(21.4)
Proceeds from sales of assets	377.0	20.4	14.1
Proceeds from sale/maturity of short-term investments	10.9	171.3	32.7
Purchases of short-term investments	(111.8)	(53.1)	(146.7)
Restricted cash	19.6	(35.5)	(104.5)
Other	(10.8)	(20.4)	(6.9)
Net Cash Provided by (Used in) Investing Activities	98.6	(277.7)	(493.8)
Cash Flows From Financing Activities:			
Net borrowings from joint venture partners	(4.4)	4.4	
Interest rate swap	(7.9)	5.8	
Proceeds from issuance of short-term debt	30.0	32.7	
Repayment of short-term debt	(69.1)	(32.7)	(.1)
Proceeds from issuance of long-term debt	101.3	412.5	332.0
Repayment of long-term debt	(137.5)	(203.7)	(291.9)
Proceeds from issuance of Common Stock			178.9
Proceeds from issuance of Preferred Stock		85.7	
Redemption of Preferred Stock	(125.0)		
Proceeds from issuance of Stock Warrants			10.0
Dividends paid	(43.6)	(41.7)	(41.7)
Net Cash Provided by (Used in) Financing Activities	(256.2)	263.0	187.2
Net Increase (Decrease) in Cash and Cash Equivalents	(88.1)	121.9	(9.5)
Cash and Cash Equivalents at Beginning of Year	128.7	6.8	16.3
Cash and Cash Equivalents at End of Year	$ 40.6	$ 128.7	$ 6.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note One (In Part): 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. Short-term investments include investments with maturities over three months but less than one year.

Net cash provided by operating activities reflects cash receipts for interest income and cash payments for interest expense and income taxes as follows:

	1994	1993	1992
Interest income	$12.4	$13.5	$ 7.7
Interest expense	98.7	82.0	80.9
Income taxes	98.1	73.4	104.1

Note Thirteen—Restricted Cash

At December 31, 1994 and 1993, the Company had $140.6 million and $160.2 million, respectively, in restricted cash, of which $78.5 million in 1994 and $103.4 million in 1993 represented collateral for outstanding letters of credit. Assets held in trust as required by certain insurance policies were $62.1 million in 1994 and $56.8 million in 1993. Approximately $46.4 million and $38.4 million of collateral for outstanding letters of credit at December 31, 1994, and 1993, respectively, was classified as a current asset.

Nonhomogeneous Operations

SERVICE CORPORATION INTERNATIONAL

Consolidated Statement of Cash Flows

(Dollars in thousands)	1994	Years ended December 31, 1993	1992
Cash flows from operating activities:			
Net income	$ 131,045	$ 101,061	$ 86,536
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,077	58,214	47,369
Undistributed earnings of trusts	—	—	(17,959)
Provision for deferred income taxes	27,490	29,235	13,324
Gains from dispositions (net)	(2,143)	(7,076)	(3,237)
Cumulative effect of change in accounting principles	—	2,031	—
Change in assets and liabilities net of effects from acquisitions:			
(Increase) in receivables .	(103,935)	(35,520)	(10,962)
Change in prearranged funeral contracts and associated deferred revenues	42,446	(14,464)	—
(Increase) decrease in other assets	(35,983)	1,967	528
Increase (decrease) in other liabilities	27,606	(9,826)	28,514
Other	(159)	5,332	1,411
Net cash provided by operating activities	162,444	130,954	145,524
Cash flows from investing activities:			
Capital expenditures	(81,090)	(59,585)	(66,820)
Proceeds from sales of property and equipment	13,294	24,006	18,812
Acquisitions	(307,587)	(175,753)	(117,737)
Loans issued by finance subsidiary	(48,320)	(102,328)	(136,959)
Principal payments received on loans by finance subsidiary	76,288	41,652	44,280
Change in investments and other	(5,042)	(2,367)	(23,000)
Net cash used in investing activities	(352,457)	(274,375)	(281,424)
Cash flows from financing activities:			
(Payments) borrowings under bank revolving credit	(108,200)	37,500	194,403
Senior notes issued	200,000	—	—
Subordinated debentures issued	—	150,000	—
Payments of debt	(31,896)	(24,283)	(32,008)
Convertible preferred shares of subsidiary issued	172,500	—	—
Common stock issued	189,726	—	—
Repurchase of common stock	—	(1,637)	(6,569)
Dividends paid	(36,013)	(32,887)	(29,629)
Exercise of stock options and other	1,415	4,297	2,534
Net cash provided by financing activities	387,532	132,990	128,731
Net increase (decrease) in cash and cash equivalents	197,519	(10,431)	(7,169)
Cash and cash equivalents at beginning of year	20,822	31,253	38,422
Cash and cash equivalents at end of year	$ 218,341	$ 20,822	$ 31,253

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

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

Cash Equivalents: The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Note Five (In Part): Income Taxes

Actual cash disbursements for income taxes and other tax assessments during the three years ended December 31, 1994, totaled $69,555, $46,557 and $33,973, respectively.

Note Six (In Part): Debt

Cash interest payments for the three years ended December 31, 1994 totaled $77,334, $61,062 and $60,590, respectively.

Note Thirteen (In Part): Supplementary Information

Non-Cash Transactions

	Years ended December 31,		
	1994	1993	1992
Common stock issued under restricted stock plans	$ 1,724	$ 14,393	$ 6,938
Notes receivable exchanged for preferred stock investment	—	2,520	3,830
Minimum liability under retirement plans	(382)	12,642	187
Debenture conversion	1,293	97,164	—
Cumulative effect of change in accounting principles	—	2,031	—
Property distributed from prearranged funeral trust	9,920	—	—

Termination Of Swaps

AIR PRODUCTS AND CHEMICALS, INC.

Consolidated Statements Of Cash Flows

	Year Ended 30 September		
(In millions)	1994	1993	1992
Operating Activities			
Net income	$247.8	$200.9	$271.0
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation	352.8	345.7	340.2
Loss on leveraged interest rate swaps (Note 6)	107.7	—	—
Deferred income taxes	9.4	(.2)	20.0
Workforce reduction and asset write-downs	—	118.7	—
Loss (Gain) on sale of assets and investments	.5	(21.9)	(14.6)
Cumulative effect of accounting changes	(14.3)	—	—
Extraordinary loss on early retirement of debt	—	—	6.0
Other	46.3	46.7	24.3
Working capital changes that provided (used) cash, net of effects of acquisitions:			
Trade receivables	(41.3)	(44.1)	(64.9)
Inventories and contracts in progress	(35.0)	(68.9)	(6.9)
Payables, trade and other	62.0	39.1	(17.1)
Accrued liabilities and income taxes	18.4	(15.1)	23.1
Other	(6.5)	(13.6)	19.2
Other	3.2	(2.9)	(1.1)
Cash Provided by Operating Activities	751.0	584.4	599.2
Investing Activities			
Additions to plant and equipment[(a)]	(611.1)	(490.6)	(427.5)
Investment in and advances to unconsolidated affiliates	(40.8)	(171.5)	(48.6)
Termination of leveraged interest rate swaps (Note 6)	(41.9)	—	—
Acquisitions, less cash acquired	—	—	(4.5)
Proceeds from sale of assets and investments	17.7	47.2	51.4
Other	1.0	6.5	25.5
Cash Used for Investing Activities	(675.1)	(608.4)	(402.7)
Financing Activities			
Long-term debt proceeds[(a)]	127.6	276.3	96.2
Payments on long-term debt	(123.6)	(121.7)	(148.3)
Net increase (decrease) in commercial paper	13.0	18.9	(31.5)
Net increase (decrease) in other short-term borrowings	(43.6)	54.4	(7.1)
Dividends paid to shareholders	(107.8)	(101.6)	(93.3)
Purchase of Treasury Stock	(85.6)	—	—
Other	3.8	30.5	(7.1)
Cash Provided by (Used for) Financing Activities	(216.2)	156.8	(191.1)
Effect of Exchange Rate Changes on Cash	1.8	(11.2)	7.0
Increase (Decrease) in Cash and Cash Items	(138.5)	121.6	12.4
Cash and Cash Items—Beginning of year	238.4	116.8	104.4
Cash and Cash Items—End of Year (Note 1)	$ 99.9	$238.4	$116.8

(a) Excludes capital leases of $3.3 million, $3.9 million, and $4.3 million in 1994, 1993, and 1992, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Cash and Cash Items. Cash and cash items include cash, time deposits, and certificates of deposit acquired with an original maturity of three months or less.

6 (In Part): Interest Rate Hedge Agreements

The company entered into five highly leveraged interest rate swap contracts with a notional value of $202.7 million during the first quarter of fiscal 1994. By 30 June 1994, the company terminated three of these contracts and closed the other two. These contracts had been accounted for on a mark-to-market basis. In 1994, the company recognized a loss of $107.7 million on these derivative contracts. This loss reflects the costs to terminate or close these contracts. The termination and closure of these derivative contracts has eliminated any further earnings impact from these contracts due to changes in interest rates. The company will not enter into any future interest rate swap contracts which lever an unfavorable move in interest rates on a greater than one-to-one basis. The closure of the two highly leveraged interest rate swap contracts has resulted in a $66.0 million liability. Additionally, the company terminated in 1994 a number of smaller interest rate hedge agreements and an interest rate hedge and currency swap contract and recognized a loss of $13.9 million. This loss is recognized in the consolidated income statement as $12.2 million foreign exchange loss included in other income and $1.7 million interest expense.

19 (In Part): Supplementary Information

Additional Cash Flow Information. Cash paid for interest and taxes was as follows:

(In millions)	1994	1993	1992
Interest (net of amounts capitalized)	$80.1	$ 81.7	$96.0
Taxes (net of refunds)	67.4	105.5	75.2

Significant noncash transactions were as follows:

(In millions)	1994	1993	1992
Capital lease additions	$3.3	$ 3.9	$ 4.3
Payable associated with purchase of long-term sales contract	—	17.0	—
Receivable from sales of equity interest in affiliates	—	—	10.3
Receivable associated with construction of environmental and energy facility for affiliate	—	—	22.5

Investment In Life Insurance Policies

AMERON, INC.

Consolidated Statements of Cash Flows

	Year ended November 30		
(Dollars in thousands)	1994	1993	1992
Operating Activities			
Net income (loss)	$ 10,790	$(24,255)	$ 5,859
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	15,855	16,444	15,649
Provision (benefit) for deferred income taxes	9,414	(17,759)	(958)
Equity in earnings of affiliated companies	(1,359)	(1,821)	(2,011)
Dividends from affiliated companies	1,755	3,670	1,063
Gain from sale of assets	(4,188)	(547)	(149)
Stock contributed to employee benefit plan	967	958	873
Non-cash restructuring and asset write-downs	—	28,668	—
Other, net	(479)	(189)	331
Other changes in operating assets and liabilities:			
(Increase) decrease in receivables	(17,109)	3,744	2,224
(Increase) decrease in inventories	(9,383)	(2,489)	11,581
(Increase) decrease in other current assets	3,374	357	(5,088)
(Increase) decrease in long-term assets	(2,390)	332	18
Increase (decrease) in trade payables, accrued liabilities and income taxes	(9,899)	7,468	6,443
Increase in long-term liabilities	6,184	10,466	3,471
Net cash provided by operating activities	3,532	25,047	39,306
Investing Activities			
Proceeds from sale of assets	4,688	1,850	22,211
Additions to property, plant and equipment	(14,934)	(14,697)	(21,027)
Investments in life insurance policies	(2,872)	(1,613)	(960)
Other	(420)	(30)	(2,095)
Net cash in investing activities	(13,538)	(14,490)	(1,871)
Financing Activities			
Net change in debt with maturities of three months or less	395	(221)	(10,447)
Issuance of debt	13,041	—	15,572
Repayment of debt	(5,953)	(15,728)	(24,552)
Dividends on common stock	(5,016)	(4,950)	(4,904)
Issuance of common stock	401	70	67
Net cash provided by (used in) financing activities	2,868	(20,829)	(24,264)
Effect of exchange rate changes on cash and cash equivalents	430	(437)	(260)
Net change in cash and cash equivalents	(6,708)	(10,709)	12,911
Cash and cash equivalents at beginning of year	15,738	26,447	13,536
Cash and cash equivalents at end of year	$ 9,030	$ 15,738	$ 26,447
Other cash flow information:			
Interest paid	$ 10,365	$ 11,903	$ 10,913
Income taxes paid	$ 1,581	$ 3,535	$ 5,337

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

Cash equivalents include time deposits with maturities of three months or less when purchased. At November 30, 1994 and 1993, the Company had approximately $22,000 and $7,200,000, respectively, invested in such securities. The carrying value of cash and cash equivalents approximates their fair value.

Nonhedged Financial Instrument Transactions

FEDERAL PAPER BOARD COMPANY, INC.

Consolidated Statement of Cash Flows

		For Fiscal Year	
In thousands	1994	1993	1992
Cash Flows from Operations:			
Net income	$ 72,000	$ 6,400	$ 91,600
Adjustments to reconcile net income to net cash provided by operations:			
Cumulative effect of accounting change	—	—	(9,000)
Depreciation, amortization and cost of timber harvested	146,446	144,087	146,566
Deferred income tax provision	8,644	13,076	26,857
Net loss (gain) on financial instrument transactions	3,524	31,854	(5,258)
Net loss on disposal of property, plant and equipment and timber	6,548	401	4,778
Net proceeds for hedged financial instrument transactions	10,710	1,307	—
Other—net	(7,755)	(11,543)	(10,371)
Changes in current assets and liabilities, net of effects from acquisitions:			
Accounts and notes receivable	(20,373)	36,271	(4,762)
Inventories	(7,131)	(21,651)	(21,488)
Other current assets	(15,170)	12,464	(794)
Accounts payable and other current liabilities	42,135	19,619	5,718
Net Cash Provided by Operations	239,578	232,285	223,846
Cash Flows from Investing Activities:			
Capital expenditures	(139,058)	(161,238)	(149,130)
Net (payments) proceeds for nonhedged financial instrument transactions	(19,183)	(5,697)	5,258
Proceeds received on settlement of note receivable	—	10,000	—
Other	(1,225)	(152)	(5,988)
Net Cash Used for Investing Activities	(159,466)	(157,087)	(149,860)
Cash Flows from Financing Activities:			
Cash dividends paid	(48,750)	(48,591)	(48,414)
Increase in long-term debt	27,518	1,909	209,966
Payments on long-term debt	(61,883)	(34,348)	(239,896)
Issuance of equity capital	4,180	3,593	5,845
Change in short-term bank debt	(1,155)	2,230	(1,724)
Net Cash Used for Financing Activities	(80,090)	(75,207)	(74,223)
Increase (Decrease) in Cash:	22	(9)	(237)
Cash:			
Beginning of year	271	280	517
End of year	$ 293	$ 271	$ 280
Supplemental Cash Flow Disclosure:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 76,892	$ 84,948	$ 78,864
Income taxes	9,844	7,171	26,885

NOTES TO FINANCIAL STATEMENTS

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

Financial Instruments

The Company utilizes hedged and nonhedged interest rate swap agreements and foreign currency contracts.

Hedged financial instruments are accounted for based on settlement accounting. Interest rate swap agreements which hedge the Company's debt 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, on a semi-annual basis, is accrued as interest rates change and is recognized over the life of the agreement as an adjustment to interest expense. Gains and losses associated with hedged transactions are deferred and included as a component of the related commitment, while cash payments or proceeds are included as operating cash flows. Deferred gains and losses are amortized over the life of the related agreements.

Nonhedged financial instruments are recorded at market value and are included in Current Liabilities and Other Liabilities. The market value of interest rate swap agreements and foreign currency option contracts are obtained from dealer quotes. Gains and losses associated with nonhedged transactions are recorded as a component of Other-net, while cash payments or proceeds associated with these transactions are classified as investing activities.

Sale Of Subsidiary

MEDTRONIC, INC.

Statement of Consolidated Cash Flow

(in thousands of dollars)	1994	Years ended April 30, 1993	1992
Operating Activities			
Net earnings	$ 232,357	$ 197,228	$ 161,541
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	78,577	69,625	59,358
Gain on sale of subsidiary, net of tax	(9,424)	—	—
Deferred income taxes	(3,150)	(11,141)	(11,789)
Foreign currency transaction loss	7,511	8,115	5,766
Changes in operating assets and liabilities excluding effects of acquisitions and divestiture:			
Increase in accounts receivable	(8,635)	(8,736)	(29,727)
Increase in inventories	(8,087)	(14,660)	(42,725)
Decrease (increase) in prepaid expenses and other assets	8,954	(29,043)	(19,795)
Increase in accounts payable and accrued liabilities	10,626	22,664	5,810
Increase in accrued income taxes	37,653	3,697	19,602
Increase in deferred income	400	20,450	96
Increase in postretirement benefit accrual	2,156	16,623	—
Increase in other long-term liabilities	7,918	16,689	3,233
Net cash provided by operating activities	356,856	291,511	151,370
Investing Activities			
Additions to property, plant, and equipment	(60,799)	(77,077)	(77,189)
Acquisitions, net of cash acquired	(189,440)	(18,668)	—
Proceeds from sale of subsidiary	21,000	—	—
Repayment from Employee Stock Ownership Plan	1,250	2,400	2,050
Sales of marketable securities	92,985	12,133	27,522
Purchases of marketable securities	(109,346)	(72,616)	(24,402)
Other investing activities	(13,713)	(8,958)	(6,230)
Net cash used in investing activities	(258,063)	(162,786)	(78,249)
Financing Activities			
(Decrease) increase in short-term borrowings	(28,285)	591	(10,750)
(Decrease) increase in long-term debt	(8,199)	5,618	140
Increase in acquisition price payable	45,630	—	—
Dividends to shareholders	(38,985)	(33,337)	(29,339)
Repurchase of common stock	(53,423)	(142,919)	(38,299)
Issuance of common stock	16,339	17,408	17,103
Net cash used in financing activities	(66,923)	(152,639)	(61,145)
Effect of exchange rate changes on cash and cash equivalents	(144)	92	(7)
Net Change in Cash and Cash Equivalents	31,726	(23,822)	11,969
Cash and cash equivalents at beginning of year	76,994	100,816	88,847
Cash and Cash Equivalents at End of Year	$ 108,720	$ 76,994	$ 100,816
Supplemental Cash Flow Information			
Cash paid during the year for:			
Income taxes	$ 73,858	$ 110,864	$ 69,390
Interest	8,346	10,769	13,537

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents

The company considers temporary cash investments with maturities of three months or less from the date of purchase to be cash equivalents.

Note 2 (In Part): Acquisitions and Divestitures

Divestitures

In July 1993, the company sold substantially all the assets of its Andover Medical, Inc., subsidiary for $21.0 million, recognizing a pretax gain of $14.0 million. Andover Medical developed, manufactured, and marketed external electrodes used primarily with electrical nerve stimulation and neuromuscular stimulation devices. Exclusive of the gain recognized, this transaction did not have a significant impact on the company's operating results.

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

THE BFGOODRICH COMPANY

Consolidated Statement of Cash Flows

	Year Ended December 31		
(Dollars in millions)	1994	1993	1992
Cash Flows From Operating Activities			
Net income (loss)	$ 75.7	$128.3	$(295.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of change in method of accounting	—	—	286.5
Restructuring costs	—	13.3	25.1
Depreciation and amortization	112.1	109.2	137.7
Deferred income taxes	21.2	5.4	(12.3)
Gain on sale of business	—	(110.9)	—
Change in assets and liabilities, net of effects of acquisitions and dispositions of businesses:			
Receivables	(62.8)	(77.2)	29.0
Inventories	(4.9)	(13.2)	40.2
Other current assets	(2.3)	(20.3)	.2
Accounts payable	57.6	2.6	10.9
Accrued expenses	9.5	(28.1)	27.4
Income taxes payable	(5.6)	(29.2)	(8.2)
Other non-current assets and liabilities	(16.9)	2.7	(5.8)
Net cash provided (used) by operating activities	183.6	(17.4)	234.8
Cash Flows From Investing Activities			
Purchases of property	(129.3)	(146.2)	(200.2)
Proceeds from sale of property	10.5	3.0	6.9
Payments made in connection with acquisitions net of cash acquired	(20.2)	(528.5)	(5.9)
Proceeds and dividends from sales of businesses	—	568.1	11.0
Other transactions	—	17.0	(.5)
Net cash (used) by investing activities	(139.0)	(86.6)	(188.7)
Cash Flows From Financing Activities			
Increase (decrease) in short-term debt	46.7	20.2	(4.0)
Proceeds from issuance of long-term debt	—	111.5	137.0
Repayment of long-term debt and capital lease obligations	(20.5)	(26.5)	(71.0)
Proceeds from issuance of capital stock	1.4	4.3	3.6
Purchases of treasury stock	(1.1)	(.8)	(7.9)
Dividends	(64.6)	(64.6)	(64.5)
Retirement of preferred stock	(4.9)	(2.5)	(.1)
Net cash provided (used) by financing activities	(43.0)	41.6	(6.9)
Effect of Exchange Rate Changes on Cash	.8	(1.6)	(2.9)
Net Increase (Decrease) in Cash and Cash Equivalents	2.4	(64.0)	36.3
Cash and Cash Equivalents at Beginning of Year	33.4	97.4	61.1
Cash and Cash Equivalents at End of Year	$ 35.8	$ 33.4	$ 97.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase.

Note K: Supplemental Cash Flow Information

The following tables set forth non-cash financing and investing activities and other cash flow information.

Acquisitions accounted for under the purchase method are summarized as follows:

(In millions)	1994	1993	1992
Estimated fair value of assets acquired	$ 23.1	$ 241.1	$ 8.7
Goodwill and identifiable intangible assets	4.5	359.4	2.2
Cash paid/stock issued	(26.5)	(528.5)	(5.9)
Liabilities assumed or created	$ 1.1	$ 72.0	$ 5.0
Liabilities disposed in connection with sales of businesses	$ —	$ 393.0	$ 6.0
Interest paid (net of amount capitalized)	44.7	36.2	35.3
Income taxes paid	12.8	33.2	16.6

JOSLYN CORPORATION

Consolidated Statement of Cash Flows

	For the Year Ended December 31, 1994	1993	1992
Cash Flows from Operating Activities:			
Net Income	$(11,180,000)	$14,870,000	$14,308,000
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities			
Depreciation and Amortization	5,364,000	5,230,000	5,057,000
Deferred Income Tax Provision (Benefit)	(16,777,000)	7,000	1,045,000
Change in Assets and Liabilities, Net of Effects of Acquisitions and Dispositions:			
(Increase) Decrease in Receivables	(2,806,000)	588,000	(468,000)
Decrease (Increase) in Inventories	2,418,000	(3,506,000)	3,154,000
(Decrease) Increase in Current Liabilities except Current Environmental Accrual	(5,371,000)	(1,725,000)	1,582,000
Increase (Decrease) in Current and Long-term Environmental Accruals, Net	38,487,000	(2,671,000)	(5,377,000)
Increase in Postretirement Medical Liability	722,000	761,000	899,000
Other, Net	465,000	23,000	(2,517,000)
Net Cash Flows from Operating Activities	$ 11,322,000	$13,577,000	$17,683,000
Cash Flows from Investing Activities:			
Capital Expenditures	$ (3,434,000)	$(3,428,000)	$(2,742,000)
Acquisitions of Businesses	(2,500,000)	(429,000)	(9,851,000)
Proceeds from Sales of Property, Plant and Equipment and Dispositions	845,000	693,000	2,786,000
Net Cash Flows from Investing Activities	$ (5,089,000)	$(3,164,000)	$(9,807,000)
Cash Flows from Financing Activities:			
Cash Dividends	$ (8,551,000)	$(8,224,000)	$(7,965,000)
Purchase of Joslyn Common Stock	(555,000)	(413,000)	(1,932,000)
Transfer of Joslyn Common Stock to Profit Sharing Plans	555,000	250,000	426,000
Exercise of Stock Options	991,000	848,000	1,503,000
Net Cash Flows from Financing Activities	$ (7,560,000)	$(7,539,000)	$(7,968,000)
Net (Decrease) Increase in Cash and Cash Equivalents	$ (1,327,000)	$ 2,874,000	$ (92,000)
Cash and Cash Equivalents at Beginning of Year	41,102,000	38,228,000	38,320,000
Cash and Cash Equivalents at End of Year	$ 39,775,000	$41,102,000	$38,228,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents: Cash and cash equivalents of $39,775,000 and $41,102,000 at December 31, 1994 and 1993, respectively, include cash equivalents which are highly liquid investments with original maturities or put dates of three months or less. They are recorded at cost which approximates market.

Also included in this balance sheet caption are equity securities, all of which are classified as "available-for-sale", as defined in Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Invesments in Debt and Equity Securities". This new standard, which became effective in 1994 on a prospective basis, was adopted by the corporation in the first quarter of 1994 and requires certain securities to be recorded at market and their unrealized holding gains or losses to be recorded in shareholders' equity. (See the Equity Adjustments section of this note.) Joslyn's available-for-sale securities have a market value of $3,727,000 and $4,704,000 and an aggregate cost of $3,793,000 and $4,089,000 on December 31, 1994 and 1993, respectively. At December 31, 1994 and December 31, 1992, there were immaterial gross unrealized gains and immaterial gross unrealized losses. At December 31, 1993, there were gross unrealized gains of $633,000 and immaterial gross unrealized losses. SFAS No. 115 also requires several new disclosures about investments, if they are material. None of these disclosures are material.

Cash Flow Information: Cash paid for interest was $113,000 in 1994, $135,000 in 1993 and $212,000 in 1992. Cash paid for income taxes was $10,029,000 in 1994, $7,999,000 in 1993 and $5,737,000 in 1992.

Debt Proceeds/Repayments

SHAW INDUSTRIES, INC.

Consolidated Statements of Cash Flows

	For Years Ended December 31, 1994, January 1, 1994 and December 26, 1992		
	1994	1993	1992
Operating Activities:			
Net Income	$127,026,000	$117,636,000	$ 78,695,000
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	84,898,000	82,416,000	67,414,000
Stock option compensation expense	469,000	798,000	798,000
Provision for doubtful accounts	12,747,000	12,987,000	5,747,000
Extraordinary loss on early extinguishment of debt	3,363,000	—	—
Changes in assets and liabilities, net of acquisitions—			
Accounts receivable	(44,132,000)	(24,846,000)	(75,759,000)
Inventories	(45,664,000)	(18,306,000)	21,015,000
Accounts payable	(16,341,000)	8,376,000	(21,242,000)
Accrued liabilities	(9,769,000)	18,846,000	4,035,000
Deferred income taxes	(1,457,000)	1,717,000	(2,042,000)
Other, net	(22,512,000)	(16,537,000)	(8,651,000)
Total Adjustments	(38,398,000)	65,451,000	(8,685,000)
Net Cash Provided by Operating Activities	88,628,000	183,087,000	70,010,000
Investing Activities:			
Additions to property, plant and equipment	(158,905,000)	(97,709,000)	(42,578,000)
Business assets acquired, net	(8,386,000)	(72,908,000)	(93,706,000)
Net Cash Used in Investing Activities	(167,291,000)	(170,617,000)	(136,284,000)
Financing Activities:			
Borrowings from revolving credit agreements	389,143,000	5,000,000	45,000,000
Repayment of revolving credit agreement	—	—	(120,000,000)
Borrowings from long-term debt	—	45,000,000	65,562,000
Repayments of long-term debt	(142,887,000)	(68,627,000)	—
Net borrowings (payments) on short-term notes payable	(20,000,000)	(40,000,000)	46,050,000
Cash paid to retire debt	(5,513,000)	—	—
Purchase and retirement of common stock	(110,389,000)	(3,393,000)	—
Exercise of stock options	1,080,000	4,977,000	5,493,000
Dividends paid	(31,145,000)	(25,731,000)	(19,355,000)
Net proceeds from sale of common stock	—	—	125,215,000
Net Cash Provided by (Used in) Financing Activities	80,289,000	(82,774,000)	147,965,000
Net Increase (Decrease) in Cash	1,626,000	(70,304,000)	81,691,000
Cash at the Beginning of the Year	32,739,000	103,043,000	21,352,000
Cash at End of Year	$ 34,365,000	$ 32,739,000	$103,043,000
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for—			
Interest	$ 31,451,000	$ 28,712,000	$ 25,301,000
Income taxes	$ 64,308,000	$ 79,826,000	$ 48,012,000
Non-cash capital lease obligations	$ 1,667,000	$ 2,896,000	$ 2,298,000

UNIVAR CORPORATION

Consolidated Statements of Cash Flows

(Thousands of Dollars)	For the Years Ended February 28/29 1994	1993	1992
Cash Flows Provided by Operating Activities			
Net Income (loss)	$ 5,460	$ 5,135	$ (5,626)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	27,449	25,881	16,834
Deferred taxes on income	(2,452)	(3,310)	5,180
Other liabilities and deferred credits	(1,483)	5,837	(931)
Other—net	(294)	993	453
Change in assets and liabilities, net of effect of businesses sold and acquired:			
Accounts receivable	(4,804)	1,119	7,762
Inventories	6,212	7,861	6,978
Accounts payable	(3,991)	(1,194)	7,251
Other current assets	5,226	565	9,945
Other current liabilities	4,063	(2,940)	5,473
Net Cash Provided by Operating Activities	35,386	39,947	53,319
Cash Flows Used by Investing Activities			
Proceeds from investments	1,132	109	2,058
Additions to property, plant, and equipment	(14,121)	(11,667)	(36,163)
Acquisition of businesses	(4,383)	—	(88,971)
Sale of business	2,812	—	—
Change in other assets	(106)	149	(1,583)
Net Cash Used by Investing Activities	(14,666)	(11,409)	(124,659)
Cash Flows Provided (Used) by Financing Activities			
Short-term borrowing—net	(6,813)	26,069	(10,479)
Common stock activity	286	45	30,375
Subordinated debt provided by minority shareholder	—	—	25,505
Long-term debt proceeds	20,000	163,500	118,465
Reduction in long-term debt	(40,739)	(198,840)	(86,255)
Payment of dividends	(5,895)	(5,883)	(5,577)
Net Cash Provided (Used) by Financing Activities	(33,161)	(15,109)	72,034
Effect of Exchange Rate Changes on Cash	(1,545)	(1,259)	—
Net Cash Provided (Used)	(13,986)	12,170	694
Cash and Equivalents at Beginning of Year	29,516	17,346	16,652
Cash and Equivalents at End of Year	$ 15,530	$ 29,516	$ 17,346
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for:			
Interest (net of capitalized interest)	$ 13,325	$ 15,592	$ 10,547
Taxes on income	6,008	6,573	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Statements of Cash Flows. The Corporation considers cash on hand, certificates of deposit, and short-term marketable securities with maturities of less than 90 days, as cash and equivalents for purposes of the statements of cash flows.

Lease Obligations

COHERENT, INC.

Consolidated Statements of Cash Flows

(in thousands)	1994	1993	1992
	Years Ended October 1, 1994, September 25, 1993 and September 26, 1992		
Increase (Decrease) in Cash and Equivalents			
Operating Activities:			
Net Income	$ 11,455	$ 10,547	$ 2,644
Adjustments to reconcile to net cash provided by (used for) operating activities:			
(Gain) loss on disposal of segment	(1,154)	2,817	—
Discontinued operations	—	1,592	2,583
Cumulative effect of change in accounting for income taxes	—	(5,637)	—
Purchases of short-term investments	(64,470)	—	—
Proceeds from sales of short-term investments	57,131	—	—
Depreciation and amortization	7,862	7,274	6,612
Issuance of common stock under Productivity Incentive Plan	291	230	143
Deferred income taxes	319	5,297	(3,641)
Minority interest in subsidiaries	283	424	471
Dividends paid to minority stockholders	—	(431)	—
Equity in (income) loss of joint ventures	(202)		(47)
Deferred income	219	(1,076)	(767)
Changes in assets and liabilities:			
Accounts receivable	(3,741)	2,065	3,790
Inventories	(1,702)	3,232	(1,352)
Prepaid expenses and other assets	3,602	(7,300)	805
Other current liabilities	3,882	4,663	3,349
Net Cash Provided By Operating Activities	13,775	23,697	14,590
Investing Activities:			
Purchases of short-term investments	—	(61,702)	(62,991)
Proceeds from sales of short-term investments	—	63,944	62,047
Purchases of property and equipment	(10,728)	(12,855)	(14,673)
Dispositions of property and equipment, net	380	986	355
Dividends received from joint ventures	—	—	1,138
Proceeds from disposal of segment:			
Cash	—	4,414	—
Receivables	—	(4,222)	—
Other—net	(1,663)	(1,923)	(1,063)
Net Cash Used For Investing Activities	(12,011)	(11,358)	(15,187)
Financing Activities:			
Long-term debt borrowings	$ 8,926	$ 2,732	$ 12,403
Long-term debt repayments	(12,762)	(2,850)	(1,280)
Notes payable borrowings	6,742	8,626	37,764
Notes payable repayments	(8,190)	(15,121)	(36,391)
Repayments of capital lease obligations	(587)	(513)	(426)
Sales of shares under employee stock option and purchase plans, net	3,232	4,280	2,565
Collection of notes receivable from stock sales		624	296
Net Cash Provided By (Used For) Financing Activities	(2,639)	(2,222)	14,931
Effect of Exchange Rate Changes on Cash and Equivalents	191	163	(582)
Net Increase (Decrease) in Cash and Equivalents	(684)	10,280	13,752
Cash and equivalents beginning of year	27,923	17,643	3,891
Cash and Equivalents End of Year	$ 27,239	$ 27,923	$ 17,643
Noncash Investing and Financing Activities:			
Property acquired under capital leases	$ 10	$ 37	$287
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	$ 1,718	$ 2,023	$ 1,740
Income taxes	$ 2,905	$ 5,987	$ 5,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents and Short-term Investments. The Company's policy is to invest in various short-term instruments including certificates of deposit, banker's acceptances and repurchase agreements of major banks and institutions, obligations of the Treasury and U.S. Government agencies, tax-exempt municipal securities and commercial paper with credit ratings of A1 and P1. All highly liquid debt instruments purchased with a remaining maturity of three months or less are classified as cash equivalents.

During fiscal 1994, the Company elected early adoption of Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the Company has classified its short-term investments as trading securities and the carrying value of such securities has been adjusted to fair market value, which was not materially different from cost. The cumulative effect of initial adoption on prior years' retained earnings was not significant.

Overdrafts

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

Statements of Consolidated Cash Flows

(Dollars in thousands)	Fiscal 1993	Fiscal 1992	Fiscal 1991
Cash Flows From Operating Activities:			
Net income (loss)	$3,959	$(189,501)	$70,664
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Provision for potential loss on Isosceles investment	—	151,238	—
Realignment of store operations	—	43,000	—
Cumulative effect on prior years of changes in accounting principles:			
Income taxes	—	64,500	—
Postretirement benefits	—	26,500	—
Depreciation and amortization	235,910	228,976	224,641
Deferred income tax provision (benefit) on income (loss) before cumulative effect	(19,568)	(87,800)	16,700
(Gain) loss on disposal of owned property	1,032	(2,472)	1,912
(Increase) decrease in receivables	1,936	(18,538)	13,074
Decrease in inventories	12,928	45,367	24,773
(Increase) decrease in other current assets	(7,981)	1,906	(12,042)
Decrease in accounts payable	(1,557)	(50,761)	(99,506)
Increase (decrease) in accrued expenses	46,292	(10,081)	(37,657)
Decrease in store closing accruals	(34,522)	(7,944)	(11,003)
Increase (decrease) in other accruals	(23,586)	23,621	21,359
Other	(1,237)	(6,677)	5,303
Net cash provided by operating activities	213,606	211,334	218,218
Cash Flows From Investing Activities:			
Expenditures for property	(267,329)	(204,870)	(161,902)
Proceeds from disposal of property	19,464	12,573	7,090
Acquisition of business, net of cash acquired	(42,948)	—	—
Net cash used in investing activities	(290,813)	(192,297)	(154,812)
Cash Flows From Financing Activities:			
Proceeds from debt	218,524	8,839	13,257
Payment of debt	(114,826)	(32,788)	(44,097)
Principal payments on capital leases	(18,876)	(18,565)	(25,527)
Increase in book overdrafts	39,192	29,767	24,535
Cash dividends	(30,576)	(30,576)	(30,569)
Proceeds from stock options exercised	—	27	28
Purchase of Treasury stock	(2)	(3)	(3)
Net cash provided by (used in) financing activities	93,436	(43,299)	(62,376)
Effect of exchange rate changes on cash and short-term investments	(2,113)	(1,784)	(954)
Net Increase (Decrease) in Cash and Short-term Investments	14,116	(26,046)	76
Cash and Short-term Investments at Beginning of Year	110,120	136,166	136,090
Cash and Short-term Investments at End of Year	$124,236	$110,120	$136,166

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Short-term Investments

Short-term investments that are highly liquid with an original maturity of three months or less are included in cash and short-term investments and are deemed to be cash equivalents. The carrying amount approximates fair value.

Current Liabilities

Under the Company's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are classified as "Book overdrafts" in the balance sheet.

The Company accrues for vested and non-vested vacation pay. Liabilities for compensated absences of $84 million and $87 million at February 26, 1994 and February 27, 1993, respectively, are included in the balance sheet caption "Accrued salaries, wages and benefits."

Indebtedness (In Part)

Maturities for the next five fiscal years are: 1994–$78 million; 1995–$28 million; 1996–$78 million; 1997–$205 million; 1998–$20 million. Interest payments on indebtedness were approximately $41 million for fiscal 1993, $39 million for fiscal 1992 and $49 million for fiscal 1991.

Income Taxes (In Part)

Income tax payments for fiscal 1993, 1992 and 1991 were approximately $15, $34 and $41 million, respectively.

Initial Public Offering

ELI LILLY AND COMPANY

Consolidated Statements of Cash Flows

(Dollars in millions)	1994	Year Ended December 31 1993	1992
Cash Flows From Operating Activities			
Net income	$ 1,286.1	$ 480.2	$ 708.7
Adjustments To Reconcile Net Income to Cash Flows From Operating Activities			
Depreciation and amortization	432.2	398.3	368.1
Change in deferred taxes	172.2	(231.6)	(184.3)
Restructuring and special charges—net of payments	—	1,041.3	565.7
Cumulative effect of changes in accounting principles	—	10.9	118.9
Other noncash expense (income)—net	63.1	(53.1)	(16.2)
	1,953.6	1,646.0	1,560.9
Changes in operating assets and liabilities:			
Receivables—(increase) decrease	(322.9)	(32.1)	28.1
Inventories—(increase) decrease	107.1	(192.3)	(198.4)
Other assets—increase	(130.6)	(104.5)	(48.8)
Accounts payable and other liabilities—increase (decrease)	(74.9)	199.8	141.7
	(421.3)	(129.1)	(77.4)
Net Cash From Operating Activities	1,532.3	1,516.9	1,483.5
Cash Flows From Investing Activities			
Acquisitions	(4,050.8)	(56.1)	(89.2)
Additions to property and equipment	(576.5)	(633.5)	(912.9)
Disposals of property and equipment	58.7	5.4	10.6
Additions to other assets	(72.9)	(70.1)	(59.6)
Reductions of investments	1,387.0	889.3	863.1
Additions to investments	(1,150.5)	(1,001.7)	(740.2)
Net Cash Used for Investing Activities	(4,405.0)	(866.7)	(928.2)
Cash Flows From Financing Activities			
Dividends paid	(723.1)	(708.4)	(643.7)
Proceeds from Guidant initial public offering	192.5	—	—
Purchase of common stock and other capital transactions	(111.0)	(25.8)	(68.5)
Issuance under stock plans	50.5	19.8	26.0
Increase (decrease) in short-term borrowings	2,126.1	(152.7)	(104.9)
Additions to long-term debt	1,478.1	383.8	205.5
Reductions of long-term debt	(175.8)	(39.8)	(3.0)
Net Cash From (Used) for Financing Activities	2,837.3	(523.1)	(588.6)
Effect of exchange rate changes on cash	32.7	(19.9)	(13.5)
Net increase (decrease) in cash and cash equivalents	(2.7)	107.2	(46.8)
Cash and cash equivalents at beginning of year	539.6	432.4	479.2
Cash and cash equivalents at end of year	$ 536.9	$ 539.6	$ 432.4

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

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

Cash Equivalents: The company considers all highly liquid investments, generally with a maturity of three months or less, to be cash equivalent. The cost of these investments approximates fair value.

Note 4. (In Part): Discontinued Operations

In January 1994, the company announced its intention to divest its Medical Devices and Diagnostics (MDD) Division. During the year, a separate company, Guidant Corporation (Guidant), was formed to be the parent company of five of the MDD companies. These five businesses are Advanced Cardiovascular Systems, Inc.; Cardiac Pacemakers, Inc.; Devices for Vascular Intervention, Inc.; Heart Rhythm Technologies, Inc.; and Origin Medsystems, Inc. In December 1994, Guidant sold 14,260,000 shares of its common stock (approximately 20 percent) in an initial public offering. Presently, Lilly plans to dispose of its remaining ownership in Guidant (approximately 80 percent) in the latter half of 1995 via a "split off" (an exchange offer pursuant to which Lilly shareholders would be given the opportunity to exchange some of or all their Lilly shares for Guidant shares). Three of the other MDD companies, IVAC Corporation; Pacific Biotech, Inc.; and Physio Control Corporation, have been sold, and negotiations continue for the sale of the remaining company, Hybritech Incorporated.

Note 7 (In Part): Borrowings

Interest expense attributable to continuing operations was $103.8 million, $70.6 million, and $73.2 million in 1994, 1993, and 1992, respectively. Cash payments of interest on borrowings totaled $102.4 million, $63.7 million, and $72.6 million in 1994, 1993, and 1992, respectively.

Note 10 (In Part): Income Taxes

Unremitted earnings of foreign subsidiaries that have been, or are intended to be, permanently reinvested for continued use in foreign operations and which, if distributed, would result in taxes at approximately the U.S. statutory rate, aggregated $1,216 million at December 31, 1994 ($976 million at December 31, 1993). Cash payments of taxes totaled $378 million, $455 million, and $484 million in 1994, 1993, and 1992, respectively.

Investment In Tax Benefits

NATIONAL SERVICE INDUSTRIES, INC.

Consolidated Statements of Cash Flows

(In thousands)	1994	Years Ended August 31 1993	1992
Cash Provided by (Used for) Operating Activities			
Net income	$ 82,698	$ 75,116	$ 74,108
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	60,548	62,097	53,816
Provision for losses on accounts receivable	2,804	3,300	3,398
Gain on the sale of property, plant, and equipment	(76)	(1,153)	(143)
Gain on the sale of business	(2,249)	(1,379)	—
Provision for deferred income taxes	(1,600)	(4,363)	(4,506)
Change in assets and liabilities net of effect of of acquisitions and sale of business—			
Receivables	(8,425)	(17,544)	(7,934)
Inventories and linens in service, net	(23,095)	(22,722)	17,761
Prepaid income taxes	11,867	9,698	(6,923)
Prepayments and other	4,667	(4,037)	(459)
Accounts payable and accrued liabilities	10,542	3,923	(31)
Net Cash Provided by Operating Activities	137,681	102,936	129,087
Cash Provided by (Used for) Investing Activities			
Change in short-term investments	2,197	3,736	5,551
Purchases of property, plant, and equipment	(42,517)	(35,513)	(43,456)
Sale of property, plant, and equipment	4,552	4,399	7,067
Sale of business	2,395	2,558	—
Acquisitions	(569)	(97,267)	(9,242)
Change in other assets	20	(7,179)	(12,904)
Net Cash Used for Investing Activities	(33,922)	(129,266)	(52,984)
Cash Provided by (Used for) Financing Activities			
Repayment of long-term debt	(2,680)	(2,521)	(3,949)
Recovery of investment in tax benefits	2,080	1,820	2,043
Deferred income taxes from investment in tax benefits	(3,875)	(3,070)	(3,148)
Issuance of treasury stock, net	448	407	—
Change in other long-term liabilities	(4,170)	(1,567)	6,547
Cash dividends paid	(53,042)	(51,041)	(49,105)
Net Cash Used for Financing Activities	(61,239)	(55,972)	(47,612)
Effect of Exchange Rate Changes on Cash	246	(2,982)	(874)
Net Change in Cash and Cash Equivalents	42,766	(85,284)	27,617
Cash and Cash Equivalents at Beginning of Year	15,853	101,137	73,520
Cash and Cash Equivalents at End of Year	$ 58,619	$ 15,853	$ 101,137
Supplemental Cash Flow Information			
Income taxes paid during the year	$ 41,584	$ 35,620	$ 51,142
Interest paid during the year	4,030	5,925	4,971
Noncash Investing and Financing Activities			
Treasury stock returned for contingent performance share grants under long-term incentive program	$ —	$ —	$ (258)
Noncash aspects of divestitures—			
Liabilities removed	$ (2,442)	$ —	$ —
Treasury stock acquired	(9,191)	—	—
Noncash aspects of acquisitions—			
Liabilities assumed or incurred	$ —	$ 31,594	$ 12,997
Treasury stock returned	—	(20)	(21)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Cash, Cash Equivalents, and Short-Term Investments

For financial statement purposes, the company considers time deposits and marketable securities purchased with an original maturity of three months or less to be cash equivalents. Investments purchased with a maturity of more than three months are considered short-term investments. At August 31, 1994 and 1993, the carrying amounts of short-term investments equal fair value.

FOREIGN CURRENCY CASH FLOWS

Paragraph 25 of *SFAS No. 95* specifies that the effect of exchange rate changes on cash balances held in foreign currencies be reported as a separate part of the Statement of Cash Flows. Examples of reporting foreign currency cash flows follow.

DATA GENERAL CORPORATION

Consolidated Statements of Cash Flows

		Year Ended	
In Thousands	Sept. 24, 1994	Sept. 25, 1993	Sept. 26, 1992
Cash Flows From Operating Activities:			
Net loss	$ (87,693)	$ (60,479)	$ (62,512)
Adjustments to reconcile net loss to net cash provided from operating activities:			
Depreciation	76,957	78,756	84,172
Amortization of capitalized software development costs	21,448	17,768	15,273
Amortization of deferred compensation	5,329	5,344	5,548
Increase in other liabilities	1,453	7,004	2,110
Writedown of net book value of property, plant, and equipment	15,233	20,917	12,559
Gain on sale of investment	(4,653)	(3,216)	—
Other non-cash items, net	11,714	6,157	(13,072)
Changes in operating assets and liabilities, net of effects from acquisition and sale of subsidiary and non-operating assets:			
(Increase) decrease in receivables	31,757	(12,171)	(15,498)
(Increase) decrease in inventories	(15,735)	15,895	16,656
(Increase) decrease in other current assets	3,727	(255)	4,461
Increase in accounts payable	3,837	1,812	11,772
Increase (decrease) in other current liabilities, excluding debt	10,753	(2,901)	21,793
Net cash provided from operating activities	74,127	74,631	83,262
Cash Flows From Investing Activities:			
Expenditures for property, plant, and equipment	(92,955)	(94,968)	(93,607)
Purchases of marketable securities	(90,788)	(110,470)	(198,721)
Proceeds from maturity of marketable securities	115,318	114,953	213,829
Capitalized software development costs	(17,582)	(23,078)	(20,555)
Net proceeds from sale of subsidiary	—	—	4,002
Net proceeds from sale of facilities and other assets	28,314	21,284	—
Investment in equity securities	(2,000)	—	—
Cash disbursed for acquisition	—	—	(10,254)
Net cash used by investing activities	(59,693)	(92,279)	(105,306)
Cash Flows From Financing Activities:			
Cash provided from stock plans, net	6,901	9,575	12,241
Borrowings (repayments) of notes payable	—	(1,234)	546
Repayment of long-term debt	(2,034)	(3,599)	(1,709)
Net cash provided from financing activities	4,867	4,742	11,078
Effect of foreign currency rate fluctuations on cash and temporary cash investments	3,587	(6,979)	1,334
Increase (decrease) in cash and temporary cash investments	22,888	(19,885)	(9,632)
Cash and temporary cash investments — beginning of the period	119,560	139,445	149,077
Cash and temporary cash investments — end of the period	$ 142,448	$ 119,560	$ 139,445
Supplemental Disclosure Of Cash Flow Information:			
Interest paid	$ 13,422	$ 13,983	$ 13,553
Income taxes paid	$ 3,444	$ 3,098	$ 4,086

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Consolidated Statements of Cash Flows. Temporary cash investments consist of highly liquid time deposits and commercial paper with original maturities of 90 days or less. Marketable securities consist primarily of U.S. Treasury bills and notes with original maturities of greater than 90 days. These investments are valued at cost plus accrued interest, which approximates market value.

Cash flows from foreign exchange contracts that are accounted for as hedges of identifiable foreign exchange transactions are classified as cash flows from operating activities in accordance with the nature of the transactions being hedged.

PFIZER INC

Consolidated Statement of Cash Flows

	Year ended December 31		
(millions of dollars)	1994	1993	1992
Operating Activities			
Net income	$ 1,298.4	$ 657.5	$ 810.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting changes	—	—	282.6
Depreciation and amortization of intangibles	292.0	258.2	263.9
Divestitures, restructuring and unusual items	—	752.0	(110.5)
Deferred taxes	32.6	(336.1)	(14.5)
Deferred income amortization	(11.4)	(28.3)	(74.3)
Other	5.5	39.3	5.0
Changes in assets and liabilities, net of effect of businesses acquired and divested:			
Accounts receivable	(160.7)	(160.8)	(193.8)
Inventories	(110.8)	(142.3)	(116.1)
Prepaid and other assets	(11.5)	(44.8)	(246.3)
Accounts payable and accrued liabilities	167.9	30.5	69.7
Income taxes payable	121.3	227.9	44.6
Other deferred items	(134.8)	9.9	85.8
Net cash provided by operating activities	1,488.5	1,263.0	807.0
Investing Activities			
Purchases of property, plant and equipment	(671.5)	(634.2)	(674.2)
Purchases of short-term investments	(1,355.9)	(739.6)	(535.7)
Proceeds from redemptions of short-term investments	1,244.8	846.8	459.8
Proceeds from sales of businesses	—	241.2	896.6
Purchases of long-term investments	(162.1)	(175.9)	(154.6)
Purchases and redemptions of short-term investments by financial subsidiaries	43.4	(21.3)	51.0
Decrease in loans and long-term investments by financial subsidiaries	20.7	167.3	283.3
Other investing activities	40.3	118.8	63.7
Net cash (used in)/provided by investing activities	(840.3)	(196.9)	389.9
Financing Activities			
Proceeds from issuance of long-term debt	39.8	6.4	266.0
Increase/(decrease) in short-term debt	1,030.8	(70.1)	(407.7)
Stock option transactions	64.2	42.7	125.1
Purchases of common stock	(511.2)	(1,019.6)	(665.1)
Cash dividends paid	(594.6)	(536.1)	(486.5)
Other financing activities	32.9	9.7	(59.8)
Net cash provided by/(used in) financing activities	61.9	(1,567.0)	(1,228.0)
Effect of exchange rate changes on cash and cash equivalents	19.0	(26.8)	(29.4)
Net increase/(decrease) in cash and cash equivalents	729.1	(527.7)	(60.5)
Cash and cash equivalents at beginning of year	729.4	1,257.1	1,317.6
Cash and cash equivalents at end of year	$ 1,458.5	$ 729.4	$ 1,257.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

The Company considers demand deposits, certificates of deposit and certain time deposits with maturities of three months or less at the date of purchase to be cash equivalents. Certain items which meet the definition of cash equivalents but are part of a larger pool of investments are included in Short-term investments.

Long-Term Debt (In Part)

During 1994, 1993 and 1992, respectively, the Company incurred interest costs of $141.6, $120.5 and $115.6 million, including $14.7, $14.0 and $12.2 million which was capitalized. Interest paid was approximately $106.9, $122.2 and $92.5 million in 1994, 1993 and 1992, respectively.

Taxes on Income (In Part)

The Company made income tax payments of approximately $414.1, $323.6 and $319.9 million during 1994, 1993 and 1992, respectively.

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.

BRUNSWICK CORPORATION

Consolidated Statements of Cash Flows

(in millions)	1994	For the Years Ended December 31 1993	1992
Cash flows from operating activities			
Net earnings (loss)	$ 129.0	$ 23.1	$ (26.3)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization by continuing operations	119.8	117.8	115.9
Changes in noncash current assets and current liabilities of continuing operations:			
(Increase) decrease in accounts and notes receivable	(50.1)	(7.8)	7.9
(Increase) decrease in inventories	(83.6)	(10.9)	6.1
(Increase) decrease in prepaid income taxes	11.5	(6.0)	(2.0)
(Increase) decrease in prepaid expenses	(9.7)	(3.1)	3.5
(Increase) in income tax refunds receivable	(17.3)	—	—
Increase in accounts payable	34.5	16.4	5.0
Increase (decrease) in accrued expenses	50.5	31.8	(23.4)
Increase (decrease) in taxes payable	(62.7)	64.5	(0.2)
Increase (decrease) in deferred items	24.4	(50.2)	24.5
Pension cost less than funding	(32.6)	(17.8)	(3.8)
Other, net	8.8	5.1	(5.0)
Cumulative effect of changes in accounting principles	—	14.6	38.3
Estimated loss on disposition of Technical segment	—	12.2	26.0
(Increase) decrease in net assets of discontinued operations	(1.3)	(0.8)	2.5
Net cash provided by operating activities	121.2	188.9	169.0
Cash flows from investing activities			
Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions	(7.1)	(2.1)	(19.8)
Capital expenditures	(104.6)	(95.8)	(88.6)
Proceeds from sales of property	5.9	7.1	3.0
Investments in unconsolidated affiliates	(1.7)	(2.8)	(6.7)
Investments in marketable securities	(18.2)	—	—
Other, net	(2.4)	(1.6)	(21.2)
Net investing activities of discontinued operations	(1.2)	(1.9)	(3.6)
Net cash used for investing activities	(129.3)	(97.1)	(136.9)
Cash flows from financing activities			
Proceeds from issuances of long-term debt	—	122.9	—
Proceeds from public offering of common stock	—	—	104.5
Payments of long-term debt, including current maturities	(6.2)	(117.3)	(5.5)
Cash dividends paid	(42.0)	(41.9)	(41.1)
Other, net	(7.3)	(2.2)	3.4
Net cash provided by (used for) financing activities	(55.5)	(38.5)	61.3
Net increase (decrease) in cash and cash equivalents	(63.6)	53.3	93.4
Cash and cash equivalents at beginning of year	248.8	195.5	102.1
Cash and cash equivalents at end of year	$ 185.2	$ 248.8	$ 195.5
Supplemental cash flow disclosures:			
Interest paid	$ 35.1	$ 25.5	$ 31.1
Income taxes paid, net of refunds	114.9	23.9	26.5
Supplemental schedule of noncash investing and financing activities:			
Fair market value of treasury stock issued for compensation plans and other	$ 4.0	$ 2.1	$ 0.8

CMI CORPORATION

Consolidated Statements of Cash Flows

(dollars in thousands)	Years ended December 31, 1994	1993	1992
Operating activities:			
Net income	$ 22,618	8,032	2,111
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant, and equipment	1,492	1,649	1,522
Amortization of other assets	192	213	181
Gain on sale of property, plant, and equipment	(274)	(265)	(3)
Deferred tax benefit	(10,000)	—	—
Increase in accounts receivable	(7,761)	(2,146)	(4,110)
Increase in long-term accounts receivable	(642)	—	—
Increase in inventories	(4,556)	(11,398)	(5,789)
Decrease (increase) in prepaid expenses	151	(25)	455
Increase (decrease) in accounts payable	(1,431)	2,751	2,260
Increase in accrued liabilities	1,180	1,156	577
Other, net	123	—	125
Net cash provided by (used in) operating activities	1,092	(33)	(2,671)
Investing activities:			
Purchase of cash equivalents—restricted	(228)	—	—
Proceeds from sale of assets	317	302	21
Capital expenditures	(1,919)	(1,087)	(730)
Net cash used in investing activities	(1,830)	(785)	(709)
Financing activities:			
Net principal payments on indebtedness	(7,554)	(8,523)	(2,580)
Borrowings under credit facilities	9,727	7,477	5,559
Proceeds from stock options exercised	—	21	—
Proceeds from issuance of common stock and stock purchase warrants	—	50	—
Payment of dividend on preferred stock	(158)	—	—
Net cash provided by (used in) financing activities	2,015	(975)	2,979
Increase (decrease) in cash and cash equivalents	1,277	(1,793)	(401)
Cash and cash equivalents at beginning of year	146	1,939	2,340
Cash and cash equivalents at end of year	$ 1,423	146	1,939

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers unrestricted cash and cash equivalents with maturities of less than three months to be cash equivalents.

9. Supplemental Cash Flow Information

Cash paid for interest amounted to approximately: $2,730,000, $2,503,000, and $2,071,000 in 1994, 1993, and 1992, respectively.

Cash paid for income taxes amounted to approximately: $439,000 and $261,000 in 1994 and 1993, respectively.

Supplemental schedule of noncash investing and financing activities are as follows:

Accretion of preferred stock was $31,000, $56,000, and $79,000 in 1994, 1993, and 1992, respectively. In addition, dividends on preferred stock of $315,000 in each of the years 1992 through 1993 were accrued but not paid. In 1994, dividends of $158,000 were accrued and paid.

During 1994, $149,000 of lease assets and obligations were capitalized.

During 1992, $637,000 of lease assets and obligations were capitalized.

During 1992, $125,000 in compensation expense was recorded for options granted.

H.B. FULLER COMPANY

Consolidated Statements of Cash Flows

(Dollars in thousands)	1994	Year Ended November 30 1993	1992
Cash flows from operating activities:			
Net earnings	$ 30,863	$ 9,984	$ 35,622
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	33,379	29,700	31,566
Pension costs	10,453	8,082	7,535
Accounting changes	—	11,717	—
Other items	338	3,350	3,318
Change in current assets and liabilities (net of effect of acquisitions):			
(Increase) in accounts receivable	(18,206)	(11,757)	(6,654)
(Increase) in inventory	(15,172)	(10,043)	(4,957)
(Increase) in other current assets	(1,985)	(434)	(1,250)
Increase in accounts payable	7,010	6,296	8,634
Increase (decrease) in accrued expense	4,564	(341)	5,985
(Decrease) increase in income taxes payable	(455)	349	2,690
Net cash provided by operating activities	50,789	46,903	82,489
Cash flows from investing activities:			
Purchased property, plant and equipment	(65,018)	(41,842)	(34,461)
Investment in affiliated companies	663	278	1,291
Purchased businesses, net of cash acquired	(76,327)	(11,547)	—
Net cash used in investing activities	(140,682)	(53,111)	(33,170)
Cash flows from financing activities:			
Increase in long-term debt	74,976	9,174	1,407
Payments of long-term debt	(4,204)	(1,734)	(20,673)
Increase (decrease) in notes payable (maturities—90 days or less)	23,410	2,413	(6,538)
Repurchase common stock	(1,508)	(1,502)	(209)
Dividends paid	(8,021)	(7,514)	(6,419)
Other	(2,835)	(5,157)	(4,508)
Net cash provided (used) by financing activities	81,818	(4,320)	(36,940)
Effect of exchange rate changes	528	(1,165)	1,494
Net change in cash	(7,547)	(11,693)	13,873
Cash at beginning of year	17,377	29,070	15,197
Cash at end of year	$ 9,830	$ 17,377	$ 29,070
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 12,628	$ 11,389	$ 12,774
Cash paid for income taxes	$ 26,291	$ 22,702	$ 21,062
Noncash investing and financing activities:			
Assets acquired by incurring notes payable	$ 8,008	—	—

NATIONAL SEMICONDUCTOR CORPORATION

Consolidated Statements of Cash Flows

(in millions)	May 29, 1994	Years Ended May 30, 1993	May 31, 1992
Cash Flow from Operating Activities:			
Net income (loss)	$264.0	$130.3	$(120.1)
Adjustments to reconcile income (loss) with net cash provided by operations:			
Depreciation and amortization	173.8	159.8	167.0
Cumulative effect of accounting change	(4.9)	—	—
Non-cash restructuring charges	—	—	35.4
Loss (gain) on sale of investments	(2.2)	5.2	—
Other, net	(1.8)	—	0.3
Changes in certain assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables	(16.1)	(77.0)	(7.2)
Inventories	(18.5)	18.2	(16.8)
Other current assets	1.5	(22.5)	(5.9)
Accounts payable and accrued expenses	51.3	16.4	80.6
Current and deferred income taxes	15.3	12.2	(3.9)
Other non-current liabilities	(30.7)	(8.6)	6.6
Net cash provided by operating activities	431.7	234.0	136.0
Cash Flow from Investing Activities:			
Purchase of property, plant and equipment	(270.7)	(233.9)	(183.0)
Proceeds from the sale of property, plant and equipment	—	15.7	1.2
Proceeds from the sale and maturity of marketable investments	658.7	42.8	—
Purchase of marketable investments	(680.0)	(111.1)	—
Proceeds from sale of investments	7.7	1.0	0.6
Purchase of investments and other, net	(11.2)	(10.8)	(4.2)
Net cash used by continuing operations	(295.5)	(296.3)	(185.4)
Discontinued operations:			
Payment of accrued liabilities and income taxes related to the sale of ISG	—	(0.8)	(5.6)
Payment received on royalty receivable	—	—	13.0
Net cash used by investing activities	(295.5)	(297.1)	(178.0)
Cash Flow from Financing Activities:			
Proceeds from issuance of debt	1.9	37.3	17.8
Repayment of debt	(19.7)	(23.7)	(24.8)
Collateral deposits and restricted cash	—	20.9	(6.4)
Issuance of common stock, net	30.5	18.0	11.2
Issuance of preferred stock, net of issuance costs	—	166.8	—
Purchase of treasury stock	(9.5)	—	—
Payment of preferred dividends	(18.7)	(17.1)	(10.0)
Net cash provided (used) by financing activities	(15.5)	202.2	(12.2)
Net change in cash and cash equivalents	120.7	139.1	(54.2)
Cash and cash equivalents at beginning of year	277.4	138.3	192.5
Cash and cash equivalents at end of year	$398.1	$277.4	$138.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents. Cash equivalents are highly liquid debt instruments with a maturity of three months or less at the time of purchase. National maintains its cash balances in various currencies and a variety of financial instruments. The Company has not experienced any material losses relating to any short-term investment instruments.

Note 13. Supplemental Disclosure of Cash Flow Information and Noncash Investing and Financing Activities

(in millions)	1994	1993	1992
Cash paid for:			
Interest expense	$ 3.3	$ 4.5	$ 3.6
Interest payment on tax settlements	$18.6	$ —	$ —
Income taxes	$27.8	$ 4.9	$ 7.1
Noncash items:			
Issuance of stock for employee benefit plans	$ 2.0	$ —	$ —

The Company recorded capital lease obligations of $1.2 million and $6.4 million during 1993 and 1992 respectively, related to the acquisition of machinery and equipment. Noncash financing activities in fiscal 1993 included the relief of debt of $12.3 million on the sale of the Migdal Haemek, Israel facility.

PHILLIPS PETROLEUM COMPANY

Consolidated Statement of Cash Flows

	Years Ended December 31		
Millions of Dollars	1994	1993	1992
Cash Flows from Operating Activities			
Net income	$ 484	243	180
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, amortization and retirements	794	841	820
Dry hole costs and leasehold impairment	95	122	111
Deferred taxes	(40)	(48)	(302)
Cumulative effect of accounting change	—	—	44
Extraordinary items	—	2	46
Increase in accounts and notes receivable	(82)	(20)	(31)
Decrease (increase) in inventories	(10)	80	22
Decrease (increase) in prepaid expenses and other current assets	22	(11)	63
Increase in accounts payable	15	28	82
Decrease in taxes and other accruals	(27)	(34)	(165)
Other	(48)	105	38
Net Cash Provided by Operating Activities	1,203	1,308	908
Cash Flows from Investing Activities			
Capital expenditures and investments, including dry hole costs	(1,154)	(1,226)	(1,172)
Proceeds from asset dispositions	266	821	386
Other investments	(20)	—	(5)
Net Cash Used for Investing Activities	(908)	(405)	(791)
Cash Flows from Financing Activities			
Issuance of debt	1,335	2,613	3,603
Repayment of debt	(1,447)	(3,209)	(3,851)
Issuance of company stock	12	19	11
Issuance of preferred stock of subsidiary	—	—	333
Purchase of company stock	(1)	(4)	(4)
Dividends paid	(293)	(292)	(291)
Other	173	(42)	99
Net Cash Used for Financing Activities	(221)	(915)	(100)
Increase (Decrease) in Cash and Cash Equivalents	74	(12)	17
Cash and cash equivalents at beginning of year	119	131	114
Cash and Cash Equivalents at End of Year	$ 193	119	131

ACCOUNTING POLICIES

Cash Equivalents — Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash and generally have original maturities within three months from their date of purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 — Cash Flow Information

	Millions of Dollars		
	1994	1993	1992
Non-Cash Investing and Financing Activities			
Treasury stock awards issued (canceled) under incentive compensation plans	$ (15)	7	(4)
Accrued expenditures for two liquefied natural gas tankers based on percentage of completion	—	—	102
Capitalized process license fee payable in installments from 1993 to 1999	—	16	—
Contribution of non-cash net assets to equity-method affiliates	109	27	—
Cash Payments			
Interest			
Debt	$235	224	380
Taxes and other	48	45	119
	$283	269	499
Income taxes	$451	487	426

SEAGATE TECHNOLOGY

Consolidated Statements of Cash Flows

in thousands	For the years ended July 1, 1994	July 2, 1993	June 30, 1992
Operating Activities			
Net Income	$225,110	$195,434	$ 63,183
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	173,998	188,734	199,566
Deferred income taxes	33,308	25,566	863
Other	2,607	9,027	25,805
Changes in operating assets and liabilities:			
Accounts receivable	(34,550)	43,767	(19,459)
Inventories	37,542	(114,003)	195,704
Accounts payable	109,411	11,368	(63,356)
Accrued income taxes	31,084	21,202	6,873
Other assets and liabilities	41,181	7,635	22,904
Net cash provided by operating activities	619,691	388,730	432,083
Investing Activities			
Acquisition of property, equipment and leasehold improvements, net	(197,684)	(173,570)	(90,657)
Purchases of short-term investments	(870,867)	(335,566)	(86,468)
Proceeds from sales of short-term investments	541,782	203,414	14,881
Other	(17,619)	(32,550)	(9,967)
Net cash used in investing activities	(544,388)	(338,272)	(172,211)
Financing Activities			
Issuance of long-term debt	270,750	—	—
Repayment of long-term debt	(3,931)	(40,204)	(104,874)
Sale of common stock	37,836	20,153	23,924
Purchase of treasury stock	—	(36,602)	(793)
Other		—	422
Net cash provided by (used in) financing activities	304,655	(56,653)	(81,321)
Effect of exchange rate changes on cash and cash equivalents	(1,335)	(7)	1,521
Increase (decrease) in cash and cash equivalents	378,623	(6,202)	180,072
Cash and cash equivalents at the beginning of the year	426,094	432,296	252,224
Cash and cash equivalents at the end of the year	$804,717	$426,094	$432,296

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash, Cash Equivalents and Short-Term Investments. The Company considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost which approximates fair value. The Company's short-term investments comprise readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase. Where the remaining maturity is more than one year the securities are classified as short-term investments as the Company's intention is to convert them into cash within one year. Short-term investments are carried at the lower of cost or market which approximates fair value.

Supplemental Cash Flow Information

In thousands	1994	1993	1992
Cash Transactions:			
Cash paid for interest	$24,654	$20,920	$30,581
Cash paid for income taxes	31,021	29,234	14,463
Non-Cash Transaction:			
Receipt of note receivable for sale of building	5,000	—	—

TRANSTECHNOLOGY CORPORATION

Statements of Consolidated Cash Flows

	For the years ended March 31, 1994	1993	1992
Cash flows from operating activities:			
Net income (loss)	$6,884,000	$5,133,000	$(9,415,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,505,000	3,369,000	6,318,000
Provision for losses on accounts receivable	102,000	79,000	55,000
(Gain) loss on sale or disposal of fixed assets and discontinued businesses	(452,000)	37,000	5,211,000
Deferred income taxes	(1,124,000)	(216,000)	(1,441,000)
Changes in assets and liabilities net of acquisitions and dispositions:			
Decrease in accounts receivable	261,000	368,000	4,080,000
Increase in inventories	(200,000)	(968,000)	(541,000)
(Increase) decrease in net assets of discontinued businesses	(1,133,000)	523,000	5,033,000
Decrease (increase) in other assets	93,000	4,485,000	(4,825,000)
Increase (decrease) in accounts payable	506,000	105,000	(3,789,000)
Increase in accrued compensation	1,137,000	672,000	318,000
(Decrease) increase in other liabilities	(2,895,000)	(3,998,000)	7,662,000
(Decrease) increase in income tax payable	(928,000)	(1,238,000)	3,109,000
Net cash provided by operating activities	6,756,000	8,351,000	11,775,000
Cash flows from investing actvities:			
Business acquisitions	(22,670,000)	—	—
Capital expenditures	(4,973,000)	(5,514,000)	(3,077,000)
Proceeds from sale of fixed assets and discontinued business	1,027,000	5,461,000	30,037,000
Increase in notes receivable	(176,000)	(687,000)	(4,500,000)
Net cash provided by (used in) investing activities	(26,792,000)	(740,000)	22,460,000
Cash flows from financing activities:			
Proceeds from long-term borrowings	34,400,000	28,174,000	29,700,000
Payments on long-term debt	(12,178,000)	(27,414,000)	(71,225,000)
Proceeds from issuance of stock under stock option plan	571,000	326,000	—
Stock repurchases and other	—	—	(12,000)
Dividends paid	(1,235,000)	(7,990,000)	—
Net cash provided by (used in) financing activities	21,558,000	(6,904,000)	(41,537,000)
Net increase (decrease) in cash and cash equivalents	1,522,000	707,000	(7,302,000)
Cash and cash equivalents at beginning of year	1,505,000	798,000	8,100,00
Cash and cash equivalents at end of year	$3,027,000	$1,505,000	$798,000
Supplemental information:			
Interest payments	$1,602,000	$812,000	$5,542,000
Income tax payments	$4,476,000	$600,000	$190,000

During 1994 the Company received marketable securities valued at $3.4 million from the sale of a discontinued business. The carrying value of these securities at March 31, 1994, was $1.8 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity at date of acquisition of three months or less to be cash equivalents.

TYSON FOODS, INC.

Consolidated Statements of Cash Flows

(In thousands)	Three Years Ended October 1, 1994 1994	1993	1992
Cash Flows from Operating Activities:			
Net income (loss)	$ (2,128)	$180,334	$160,534
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	158,611	145,756	119,363
Amortization	29,714	30,753	29,502
Special charges	213,924		
Deferred income taxes	(2,370)	5,378	17,883
Loss on dispositions of property and equipment	2,800	695	218
(Increase) decrease in accounts receivable	(307,400)	35,344	(25,259)
(Increase) decrease in inventories	(34,000)	(66,909)	10,606
Increase (decrease) in trade accounts payable	35,595	(41,001)	7,414
Net change in other current assets and liabilities	(44,479)	18,052	(54,381)
Cash Provided by Operating Activities	50,267	308,402	265,880
Cash Flows From Investing Activities:			
Net cash paid for acquisitions	(82,893)	(43,377)	
Additions to property, plant and equipment	(232,108)	(225,305)	(107,990)
Proceeds from sale of property, plant and equipment	8,502	7,387	6,615
Net change in other assets and liabilities	(3,750)	(41,393)	(3,309)
Cash Used for Investing Activities	(310,249)	(302,688)	(104,684)
Cash Flows From Financing Activities:			
Net increase (decrease) in notes payable	3,462	(29,200)	(10,000)
Proceeds from long-term debt	412,267	977,421	131,941
Repayments of long-term debt	(81,079)	(954,497)	(278,694)
Purchase of treasury shares	(66,901)	(4,140)	(1,231)
Dividends and other	(2,294)	(811)	(1,605)
Cash Provided by (Used for) Financing Activities	265,455	(11,227)	(159,589)
Increase (Decrease) in Cash	5,473	(5,513)	1,607
Cash and Cash Equivalents at Beginning of Year	21,547	27,060	25,453
Cash and Cash Equivalents at End of Year	$ 27,020	$ 21,547	$ 27,060

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: Cash equivalents consist of investments in short-term, highly-liquid securities having original maturities of three months or less made as part of the Company's cash management activity. The carrying values of these assets approximate their fair values. As a result of the Company's cash management system, checks issued but not presented to the banks for payment may create negative cash balances. Checks outstanding in excess of related cash balances totaling approximately $117.6 million at October 1, 1994 and $96.9 million at October 2, 1993, are included in trade accounts payable, accrued salaries and wages and other current liabilities.

Note 10: (In Part): Supplemental Information

Supplemental cash flow information and noncash investing and financing activities are as follows:

			(In thousands)
	1994	1993	1992
Supplemental Cash Flow Information			
Cash paid during the period for:			
Interest	$ 89,894	$ 72,348	$103,827
Income Taxes	$123,228	$117,589	$ 88,534
Supplemental Noncash Investing and Financing Activities			
Retirement of capital lease of property			$ 1,559
Acquisitions:			
Fair value of assets acquired	$124,023	$537,398	
Liabilities assumed	(109,209)	(288,847)	
Fair value of assets exchanged	$ (14,814)		
Stock issued		(205,174)	
Total cash paid		$ 43,377	

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

	1994	**1993**	**1992**	**1991**
Cash and cash equivalents	431	416	415	412
Cash and equivalents	46	44	45	35
Cash	63	77	73	77
Cash and short-term investments	29	31	37	39
Cash and short-term cash investments	3	3	3	4
Cash and temporary cash investments	7	9	9	11
Cash and temporary investments	7	5	5	6
Cash and marketable securities	4	5	4	7
Other descriptive captions	10	10	9	9
Total Companies	**600**	**600**	**600**	**600**

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-four 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

	1994	1993	1992	1991
Follows financial statements and notes	386	392	393	384
Precedes financial statements and notes	197	193	189	195
Between financial statements and notes	10	9	13	11
Other	7	6	5	10
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 597 survey companies included the words *independent* and *report.* 305 titles identified the auditors as auditors, 168 as accountants, 104 as public accountants, and 20 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

	1994	1993	1992	1991
Board of Directors and Stockholders	483	484	477	476
Stockholders	56	54	57	59
Board of Directors	41	40	46	46
Company	16	19	17	16
Other or no addressee	4	3	3	3
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 AUDITORS' 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 AUDITORS' REPORT

We have audited the accompanying balance sheets of X Company as of December 31, 19X2 and 19X1, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of [at] December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

Most of the survey companies present a balance sheet for 2 years and the other basic financial statements for 3 years. Appropriate wording in this situation is stated in footnote 7 to paragraph 8. An example of an auditors' standard report for an entity presenting a balance sheet for 2 years and the other basic financial statements for 3 years follows.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders

Wal-Mart Stores, Inc.

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and Subsidiaries as of January 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1995. 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 Wal-Mart Stores, Inc. and Subsidiaries at January 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 1995, in conformity with generally accepted accounting principles.

REFERENCE TO REPORT OF OTHER AUDITORS

When the opinion of a principal auditor is based in part on the report of another auditor, Section 543 of *Statement on Auditing Standards No. 1* provides guidance to the principal auditor. Paragraph 7 of Section 543 states:

> When the principal auditor decides that he will make reference to the audit of the other auditor, his report should indicate clearly, in both the scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by his own audit and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly reveals the portion of the financial statements audited by the other auditor. The other auditor may be named but only with his express permission and provided his report is presented together with that of the principal auditor.

Paragraphs 12 and 13 of *Statement on Auditing Standards 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 AUDITORS' REPORT

We have audited the consolidated balance sheets of ABC Company and subsidiaries as of December 31, 19X2 and 19X1, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of B Company, a wholly-owned subsidiary, which statements reflect total assets of $ ________ and $ ________ as of December 31, 19X2 and 19X1, respectively, and total revenues of $ ________ and $ ________ for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for B Company, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABC Company and subsidiaries as of December 31, 19X2 and 19X1, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

TABLE 6-3: REFERENCES TO OTHER AUDITORS

	1994	1993	1992	1991
Examination by Other Auditors Covers:				
Statements for consolidated subsidiary	9	7	9	10
Statements of investee only	3	5	6	7
Statements for prior years only	7	10	5	3
Total Companies	**19**	**22**	**20**	**20**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors,
Ameron, Inc.:

We have audited the accompanying consolidated balance sheets of Ameron, Inc. and subsidiaries as of November 30, 1994 and 1993, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended November 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Gifford-Hill-American, Inc. as of November 30, 1992, the investment in which is reflected in the accompanying financial statements using the equity method of accounting (see Note 4). The investment in this company is insignificant to consolidated assets. The equity in its net losses represents 15 percent of consolidated net income for 1992. 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 that company, is based on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the

financial position of Ameron, Inc. and subsidiaries as of November 30, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1994, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders,
FMC Corporation:

We have audited the consolidated balance sheets of FMC Corporation and consolidated subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the years in the three-year period ended December 31, 1994. 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. With respect to information as of and for the year ended December 31, 1994, we did not audit the financial statements of United Defense, L.P., which statements reflect total assets constituting 13% and total revenues constituting 27% of the related consolidated totals in 1994. 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 United Defense, L.P., 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 upon our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FMC Corporation and consolidated subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 14 to the consolidated financial statements, the company changed its method of accounting for postretirement benefits other than pensions in 1992.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Freeport-McMoRan Inc.:

We have audited the accompanying balance sheets of Freeport-McMoRan Inc. (the Company) and consolidated subsidiaries as of December 31, 1994 and 1993, and the related statements of operations, cash flow and stockholders' equity for each of the three years in the period ended December 31, 1994. 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 IMC-Agrico Company (the Joint Venture). The Company's share of the Joint Venture constitutes 12 percent and 16 percent of assets and 33 percent and 15 percent of revenues of the Company's totals as of December 31, 1994 and 1993 and the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Company's interest in the Joint Venture, 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 Freeport-McMoRan Inc. and consolidated subsidiaries as of December 31, 1994 and 1993 and the results of its operations and its cash flow for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 6 and 1 to the consolidated financial statements, effective January 1, 1992, the Company changed its method of accounting for income taxes, and effective January 1, 1993, changed its method of accounting for periodic scheduled maintenance costs, deferred charges, and costs of management information systems.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
Hecla Mining Company

We have audited the accompanying consolidated balance sheets of Hecla Mining Company and subsidiaries as of December 31, 1994 and 1993, 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, 1994. 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 Equinox Resources Ltd. ("Equinox") which statements reflect total assets constituting 4% as of December 31, 1993 and revenues constituting 12% and 1% and net loss constituting 34% and 11% for each of the two years in the period ended December 31, 1993, respectively, of the related consolidated totals. Separate financial statements of Equinox included in the consolidated financial statements were audited and reported on separately by other auditors, whose report dated February 28, 1994, expressed an unqualified opinion on those statements before adjustments to convert Canadian dollars to U.S. dollars and to conform certain Equinox accounting policies to U.S. generally accepted accounting principles consistent with those of Hecla Mining Company as described in Note 2 to the Consolidated Financial Statements. We also audited the adjustments described in Note 2 to the Consolidated Financial Statements.

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hecla Mining Company and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 6 and 9 to the Consolidated Financial Statements, the Company changed its method of accounting for income taxes and postretirement benefits other than pensions in 1992. In addition, as discussed in Note 4 to the Consolidated Financial Statements, the Company changed its method of accounting for investments as of January 1, 1994. All of the above changes were required by Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board.

UNCERTAINTIES

Table 6-4 summarizes the nature of uncertainties for which auditors expressed unqualified opinions but added explanatory language to their reports as required by *Statement on Auditing Standards No. 58.* (The Auditing Standards Board is considering an amendment to SAS No. 58 which would eliminate the requirement for an uncertainties explanatory paragraph in an auditors' report if the uncertainty is presented and disclosed in the financial statements in accordance with generally accepted accounting principles.) Paragraphs 16–33 of *SAS No. 58* and *SAS No. 59,* as amended by *SAS No. 64,* discuss uncertainties. Examples of explanatory language as to uncertainties follow.

TABLE 6-4: UNCERTAINTIES

	1994	1993	1992	1991
Litigation	14	18	18	16
Going concern	4	8	17	17
Other	3	6	7	6
Total Uncertainties	**21**	**32**	**42**	**39**
Total Companies	**20**	**29**	**35**	**32**

Litigation

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders,
American Maize-Products Company:

We have audited the accompanying consolidated balance sheets of American Maize-Products Company and its Subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of operations and retained earnings and consolidated statements of cash flows for each of the years in the three year period ended December 31, 1994. 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 American Maize-Products Company and its Subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 7 and 8 to the consolidated financial statements, effective January 1, 1993, the Company changed its methods of accounting for postretirement benefits other than pensions, and postemployment benefits.

As discussed in Note 14 to the consolidated financial statements, the accompanying financial statements include an accrual related to a patent infringement claim. The Company's ultimate liability for this action is not presently determinable. In addition, the Company is a defendant in an environmental civil action, the ultimate financial effect of which is not presently determinable, and, accordingly, no amounts have been recorded in the accompanying financial statements.

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

14. Contingent Liabilities

The Company has certain contingent liabilities regarding existing or potential claims, lawsuits and other proceedings, including those involving a certain patent infringement claim and an environmental civil action.

With respect to the patent infringement claim, on May 12, 1981, Grain Processing Corporation ("GPC") brought a lawsuit against the Company in the United States District Court for the Northern District of Indiana alleging infringement of a patent owned by GPC relating to certain kinds of waxy starch maltodextrins. The trial court in 1987 found infringement as to one small-volume product, which had been discontinued by the time of the decision. On appeal by GPC, the Court of Appeals in 1988 found that another product also had infringed, in some instances. The case was sent back to trial court to determine how much of the accused product was infringing, to assess what damages should be paid to GPC, and to rule on GPC's claims for increased damages and attorney fees. GPC is contending that it should receive damages based on its lost profits on products it would have sold except for the infringement. The Company contends that any damages awarded should be based on a reasonable royalty rather than lost profits, because GPC never sold the patented product. The law on that issue is in conflict at present. A hearing date of July 10, 1995 has been set to determine the amount of damages the Company will be required to pay to GPC. On June 27, 1994, the U.S. District Court for the Northern District of Indiana denied the Company's motion seeking a reconsideration of the court's previous ruling that the patent owned by GPC was valid. The Company then established a reserve in the amount of $4,000 based on its contention that damages should be based on a reasonable royalty. However, the Company's ultimate liability for this action is not presently determinable. The GPC patent expired in 1991 and has no present effect on the Company's activities.

With respect to the environmental civil action, on August 2, 1993, the United States, on behalf of the U.S. Environmental Protection Agency ("EPA"), filed suit against the Company, four other industrial companies and four municipalities for alleged violations of the Clean Water Act and the Rivers and Harbors Act. The issue in the suit involves discharges of industrial and municipal wastewater by the defendants into the sewage treatment facilities of the City of Hammond, Indiana and from there into the Grand Calumet River. The Government is seeking civil penalties in an unspecified amount for alleged violations of discharge permit limitations, injunctive relief to require compliance with permit terms, and, from the Company and the other industrial defendants and the City of Hammond, additional injunctive relief requiring the development and implementation of a plan to remediate allegedly contaminated sediments in the Grand Calumet River. The Company does not believe that its discharges have caused or contributed to any sedimentation problem in the Grand Calumet River, and it has already taken measures to ensure continued compliance with the terms of its discharge permits. The Company intends to contest the Government's allegations vigorously; however, management is unable to predict the final outcome of this matter or the ultimate effect, if any, on its operations or financial condition.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. In the opinion of management, such contingent liabilities are not likely to result in any loss that would have a material adverse effect on the Company's operating results or financial condition.

In addition, the Company is primarily liable for certain leases of a discontinued operation which, by their terms, call for lease payments which aggregate a maximum amount of approximately $4,800 at December 31, 1994.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Philip Morris Companies Inc.:

We have audited the accompanying consolidated balance sheets of Philip Morris Companies Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1994. 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 Philip Morris Companies Inc. and subsidiaries at December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 15 to the consolidated financial statements, there is litigation pending against the Company. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements.

As discussed in Note 13 to the consolidated financial statements, the Company adopted in 1993 the method of accounting for postemployment benefits prescribed by Statement of Financial Accounting Standards No. 112.

NOTES TO FINANCIAL STATEMENTS

Note 15 (In Part): Contingencies

There is litigation pending against the leading United States cigarette manufacturers alleging injury resulting from cigarette smoking or exposure to cigarette smoking. In this litigation, plaintiffs seek compensatory and, in some cases, punitive damages. The Company and Philip Morris Incorporated ("PM Inc."), a wholly-owned subsidiary of the Company, are defendants in some of these cases.

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The Company and PM Inc. believe, and have been so advised by counsel handling the respective cases, that each has a number of valid defenses to all pending litigation. All cases are, and will continue to be, vigorously defended. Litigation is subject to many uncertainties, and it is possible that some of these actions could be decided unfavorably. An unfavorable outcome of a pending smoking and health case could encourage the commencement of additional similar litigation. Recently, there have been a number of restrictive regulatory, adverse political and other developments concerning cigarette smoking and the tobacco industry, including the commencement of the purported class actions referred to above. These developments generally receive widespread media attention. The Company is not able to evaluate the effect of these developing matters on pending litigation and the possible commencement of additional litigation.

Management is unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of all pending litigation. It is possible that the Company's results of operations or cash flows in a particular quarterly or annual period or its financial position could be materially affected by an ultimate unfavorable outcome of certain pending litigation. Management believes, however, that the ultimate outcome of all pending litigation should not have a material adverse effect on the Company's financial position.

Going Concern

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Celgene Corporation:

We have audited the accompanying balance sheets of Celgene Corporation as of December 31, 1994 and 1993, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1994. 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 Celgene Corporation as of December 31, 1994 and 1993, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1994 in conformity with generally accepted accounting principles.

The accompanying financial statements for 1994 have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the financial statements, the Company's recurring losses from operations and limited capital resources 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 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in note 2 to the financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Liquidity

Celgene Corporation ("Celgene" or the "Company") attempts to develop and produce innovative products primarily for two major pharmaceutical markets: high purity chiral chemical intermediates for use in the production of pharmaceutical, food additives, agricultural chemicals, and proprietary products with distinct therapeutic advantages. Prior to June 1994, the Company was also engaged in the development of biotreatment systems that detoxify certain chemical process waste streams before they are released by a manufacturing plant to the environment. See note 8 with respect to the Company's disposal of its biotreatment business.

The Company's financial statements for the year ended December 31, 1994 have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a net loss of $10,213,000 for the year ended December 31, 1994, and as of December 31, 1994 had an accumulated deficit of $60,473,000. The Company expects to incur substantial expenditures to further its immunotherapeutic program and to expand its chiral business. The Company's working capital at December 31, 1994 plus limited revenue from product sales and research contracts from its chiral business will not be sufficient to meet such objectives as presently structured. Management recognizes that the Company must generate additional resources or consider modifications to its immunotherapeutic program or other reductions in operating costs to enable it to continue operations with available resources. Management's plans include consideration of the sale of additional equity securities under appropriate market conditions, alliances or other partnership agreements with entities interested in and resources to support the Company's immunotherapeutic or chiral programs, or other business transactions which would generate sufficient resources to assure continuation of the Company's operations and research programs.

The Company has retained investment banking counsel to advise it on the possible sale of equity securities as well as to introduce and assist in the evaluation of potential merger and partnering opportunities. The Company also has retained independent consultants to assist it to identify other entities interested in its immunotherapeutic and chiral programs. Management expects that these efforts will result in the introduction of other parties with interests and resources which may be compatible with that of the Company. However, no assurances can be given that the Company will be successful in raising additional capital or entering into a business alliance. Further, there can be no assurance, assuming the Company successfully raises additional funds or enters into a business alliance, that the Company will achieve profitability or positive cash flow. If the Company is unable to obtain adequate additional financing or enter into such business alliance, management will be required to sharply curtail the Company's immunotherapeutic program and to curtail certain other of its operations.

U.S. Government Investigation

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
AEL Industries, Inc.

We have audited the accompanying consolidated balance sheets of AEL Industries, Inc. as of February 25, 1994, and February 26, 1993, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended February 25, 1994. 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 stanndards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEL Industries, Inc. at February 25, 1994, and February 26, 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 25, 1994, in conformity with generally accepted accounting principles.

As discussed in the last paragraph of Note 8 to the consolidated financial statements, the outcome of a U.S. Government investigation associated with a fixed-price contract is presently not determinable. No provision for any liability that may result from this matter has been made in the accompanying financial statements.

As discussed in Note 5 to the consolidated financial statements, the Company changed its method of accounting for income taxes in fiscal year 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingencies

From time to time the Company may be involved in lawsuits, investigations and other legal proceedings arising from the ordinary conduct of its business with the U.S. Government and others. One such action relates to the U.S. Environmental Protection Agency (EPA) which, in 1989, placed a site that includes the Company's Richardson Road property on the National Priorities List for detailed study and cleanup of alleged environmental contamination. The Company continues to cooperate with the EPA in the study of this site. In the opinion of management, except for the matter described below, these legal proceedings will not have a material adverse effect on consolidated financial position.

The Company has provided documents, relating to its AN/MLQ-T4 Ground Jammer program, to the Department of Defense pursuant to a subpoena issued by its Inspector General in September 1992. At this time, management is unable to determine when the Government will complete its investigation or whether it will seek any remedies as a result of its investigation.

Possible Violation Of Export Regulations

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
CSP Inc.:

We have audited the accompanying consolidated balance sheets of CSP Inc. and subsidiaries as of August 26, 1994 and August 27, 1993, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended August 26, 1994. 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 CSP Inc. and subsidiaries as of August 26, 1994 and August 27, 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended August 26, 1994, in conformity with generally accepted accounting principles.

As discussed in note 13 to the financial statements, the Company has been notified by the Department of Commerce that they have reason to believe that the Company has committed violations of certain regulations for export shipments made during the period September 15, 1990 to July 16, 1991. Since this matter is in the early stages and no fines or penalties have been proposed, the ultimate outcome cannot presently be determined. Accordingly, no provision for any liability that may result from this matter has been recognized in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Contingency:

The Company has been notified by the Department of Commerce that they have reason to believe that the Company has committed violations of certain regulations for export shipments made during the period from September 15, 1990 to July 16, 1991. The Company intends to provide additional evidence that will refute certain of the allegations. However, since this is still in the early stages and no fines or penalties have been proposed by the Department of Commerce, management of the Company is unable to estimate the potential loss, if any that may result from this matter.

LACK OF CONSISTENCY

Table 6-5 summarizes the accounting changes for which auditors expressed unqualified opinions but added explanatory language to their reports as required by paragraphs 34-36 of *Statement on Auditing Standards No. 58*. The reason for the large number of references to lack of consistency is that many of the survey companies disclosed more than one accounting change in either 1994 or prior years. Of the 861 references to lack of consistency, 713 relate to changes made in years prior to 1994. Examples of references to lack of consistency follow.

TABLE 6-5: LACK OF CONSISTENCY

	1994	**1993**	**1992**	**1991**
Postretirement benefits	334	356	215	38
Income taxes	330	332	205	41
Postemployment benefits	120	87	19	—
Investments (SFAS No. 115)	33	10	—	—
Inventories:				
Capitalization of costs formerly expensed	1	4	6	4
LIFO adopted	1	2	2	1
LIFO discontinued	1	3	3	2
Other	4	3	3	6
Pension plans	2	—	—	4
Other—described	35	32	18	13
Total References	**861**	**829**	**471**	**109**
Total Companies	**431**	**417**	**166**	**90**

Postretirement Benefits

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors of TransTechnology Corporation:

We have audited the accompanying consolidated balance sheet of TransTechnology Corporation and subsidiaries as of March 31, 1994 and 1993 and the related statements of consolidated operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1994. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of TransTechnology Corporation and subsidiaries at March 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 8 to the consolidated financial statements, in 1994 the Corporation changed its method of accounting for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106.

As discussed in Note 5 to the consolidated financial statements, in 1994 the Corporation changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 109.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Income Taxes

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Prior to the adoption of SFAS 109, the Company accounted for income taxes under the deferral method and prior periods have not been restated to reflect this change in accounting principle. There was no material effect on the Company's financial results as a result of adopting SFAS No. 109.

8 (In Part): Employee Benefit Plans

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, ("SFAS No. 106") "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the cost of these benefits, which are primarily health care related, be recognized in the financial statements during the employee's active working career. The Company's previous practice was to recognize expense as claims were paid. The plan maintained by the Company provides postretirement benefits to union employees at one of the Company's divisions. Adopting the new standard created a previously unrecognized obligation covering prior years. This transition obligation, estimated at $2.9 million, before tax effects, is being amortized on a straight-line basis over the average remaining service life of active employees, estimated by the Company to be approximately 20 years. During fiscal year 1994, the Company adopted an amendment to the plan resulting in a decrease of $859,000 to the transition obligation. The current period charge was $443,000 before tax effects. The estimated current period charge, using the Company's previous practice of recognizing expense as claims were paid, would have been approximately $127,000 before tax effects. Accrued postretirement benefit cost is included in other liabilities on the balance sheet.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Witco Corporation

We have audited the accompanying consolidated balance sheets of Witco Corporation and Subsidiary Companies as of December 31, 1994 and 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31 1994. 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 included 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 Witco Corporation and Subsidiary Companies at December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 12 to the financial statements, in 1992, the Company changed its method of accounting for postretirement benefits other than pensions.

NOTES TO FINANCIAL STATEMENTS

Note 12 (In Part): Postretirement Benefits Other Than Pensions

In 1992, the Company adopted Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." 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 Company elected to record the effect of this adoption as a cumulative effect of a change in accounting principle and immediately recognize the accumulated liability measured as of January 1, 1992. This resulted in a one-time after-tax charge of $14,690,000.

Income Taxes

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Courier Corporation:

We have audited the accompanying consolidated balance sheets of Courier Corporation and subsidiaries as of September 24, 1994 and September 25, 1993, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended September 24, 1994. 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 Courier Corporation and subsidiaries as of September 24, 1994 and September 25, 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 24, 1994, in conformity with generally accepted accounting principles.

As described in Note C of Notes to the Consolidated Financial Statements, the Company changed its method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109.

NOTES TO FINANCIAL STATEMENTS

Note C (In Part): Income Taxes

Effective September 26, 1993, the Company adopted the provisions of SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the use of the liability method of accounting for deferred income taxes. This method utilizes current tax rates, whereas much of the Company's deferred tax liabilities had been determined in past years when the liabilities arose and when tax rates were higher. As a result, the cumulative effect on prior years relating to the adoption of this required accounting change was an increase in net income of $1,525,000 or $.79 per share, reported in the first quarter of fiscal year 1994. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

REPORT OF INDEPENDENT AUDITORS

The Shareowners and Board of Directors of
Fieldcrest Cannon, Inc.

We have audited the accompanying consolidated statement of financial position of Fieldcrest Cannon, Inc. as of December 31, 1994 and 1993, and the related consolidated statements of income and retained earnings, and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fieldcrest Cannon, Inc. at December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As explained in Notes 12 and 13 to the consolidated financial statements, effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Postretirement health care and life insurance benefits

The Company adopted FAS 106, "Employers' Accounting for Postretirement Benefits other than Pensions", effective January 1, 1993. The cumulative effect on prior years of the accounting change was charged to income in 1993 which resulted in a pre-tax charge of $35.1 million and reduced net income by $21.8 million, or $1.86 per share.

Note 13 (In Part): Income taxes

The Company adopted FAS 109, "Accounting for Income Taxes", effective January 1, 1993. The cumulative effect on prior years of the accounting change was charged to net income in 1993 which reduced net income by $48.5 million, or $4.13 per share.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Murphy Oil Corporation:

We have audited the accompanying consolidated balance sheets of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1994. 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 Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note B to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, in 1993.

NOTES TO FINANCIAL STATEMENTS

Note B — Accounting Changes — Effective January 1, 1993, the Company elected the immediate recognition basis for implementing SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This accounting standard requires that these costs (supplemental health care and life insurance) be accrued over the service lives of employees. Previously, the Company expensed these costs when paid. The cumulative effect upon adoption was a charge against income of $16,502,000, $.37 a share, after an income tax effect of $8,500,000. Excluding the cumulative effect, adoption of the standard did not significantly affect 1993 net income.

Effective January 1, 1993, the Company also adopted SFAS No. 109, Accounting for Income Taxes, without restating prior years' results. The cumulative effect of the change on 1993 net income was a benefit of $31,840,000, $.71 a share. In addition, net property, plant and equipment was increased $82,092,000, and a corresponding increase was recorded in deferred income tax liability, representing the tax effect of prior business combinations originally recorded net of tax. As a result of adopting SFAS No. 109, 1993 income from continuing operations before income taxes was reduced $10,916,000. This reduction was primarily due to increased depreciation, depletion, and amortization expense caused by the adjustment for prior business combinations. The increased expense was essentially offset by additional deferred tax benefits.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors
Rymer Foods, Inc.

We have audited the accompanying consolidated balance sheets of Rymer Foods Inc. and subsidiaries as of October 29, 1994 and October 30, 1993 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended October 29, 1994. 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 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 Rymer Foods Inc. and subsidiaries as of October 29, 1994 and October 30, 1993 and the consolidated results of their operations and their cash flows for the three years in the period ended October 29, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 8 to the consolidated financial statements, Rymer Foods Inc. adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Income Taxes

Effective with the first quarter of 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). In connection with adoption of this standard, the Company recorded a deferred tax asset of $19.3 million and a valuation allowance related to this asset of $19.3 million. Adoption of this standard did not materially impact the Company's operating results. The Company's deferred tax asset is related primarily to its operating loss carryforward for tax reporting purposes which approximated $40,500,000 at October 30, 1993. The Company recorded a valuation allowance amounting to the entire deferred tax asset balance because of the Company's lack of a history of consistent earnings, its Restructuring in 1993, possible limitations on the use of carryforwards, and the expiration dates of certain of the net operating loss carryforwards give rise to uncertainty as to whether the deferred tax asset is realizable.

Postemployment Benefits

INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors of
Atlantic Richfield Company

We have audited the accompanying consolidated balance sheets of Atlantic Richfield Company as of December 31, 1994 and 1993, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1994. 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 Atlantic Richfield Company as of December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for income taxes, postretirement benefits other than pensions and postemployment benefits in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Accounting Changes

Effective January 1, 1994, ARCO adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires investments to be carried at fair value, unless they are considered held-to-maturity securities. The effect of adopting SFAS No. 115 had no impact on 1994 income.

Effective January 1, 1992, ARCO adopted SFAS Nos. 106, 109 and 112. The cumulative effect of adopting SFAS No. 106 resulted in a charge of $435 million, or $2.70 per share, to 1992 earnings, net of income tax effects of approximately $262 million. The cumulative effect of adopting SFAS No. 109 resulted in a benefit of $43 million, or $0.27 per share. There was no cumulative effect of adopting SFAS No. 112. Excluding the cumulative effects, the effect of adopting SFAS Nos. 106, 109 and 112 was not material to 1992 net income.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Brunswick Corporation:

We have audited the accompanying consolidated balance sheets of Brunswick Corporation and Subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of results of operations and cash flows for each of the three years in the period ended December 31, 1994. 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 Brunswick Corporation and Subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 15 to the consolidated financial statements, effective January 1, 1993, the Company changed its method of accounting for postemployment benefits, and effective January 1, 1992, the Company changed its method of accounting for postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Retirement and Employee Benefit Costs

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), for its domestic unfunded postretirement health care and life insurance programs. SFAS No. 106 requires the cost of postretirement benefits to be accrued during the service lives of employees. The cumulative effect on years prior to 1992 of adopting SFAS No. 106 on an immediate recognition basis, including discontinued operations, was to decrease net earnings by $38.3 million. The Company had previously recognized approximately $9.6 million of its accumulated postretirement benefit obligation primarily in conjunction with the disposition of the non-Defense businesses of the Technical segment. Postretirement benefit cost was $5.3 million, $6.4 million and $6.7 million in 1994, 1993 and 1992, respectively.

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Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS No. 112), for employees' disability benefits. SFAS No. 112 requires the accrual method for recognizing the cost of postemployment benefits. The cumulative effect on years prior to 1993 of adopting SFAS No. 112, including discontinued operations, was to decrease net earnings by $14.6 million. The effect of this change on 1994 and 1993 consolidated results of operations was not material.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareowners
Sparton Corporation

We have audited the accompanying consolidated balance sheets of Sparton Corporation and subsidiaries as of June 30, 1994 and 1993, and the related consolidated statements of operations, shareowners' equity, and cash flows for each of the three years in the period ended June 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sparton Corporation and subsidiaries at June 30, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in the year ended June 30, 1994, the Company changed its methods of accounting for income taxes and postemployment benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Statement of Significant Accounting Policies

Changes in methods of accounting—Effective the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. They are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109 and, accordingly, reflect the deferred method. Under the deferred method, deferred income tax provisions were made for all timing differences between earnings for financial reporting and income tax purposes. The adoption of SFAS No. 109 has not changed the actual amount of income tax paid by the Company. The cumulative effect of this accounting change was to decrease the net loss for the first quarter of fiscal 1994 by $264,000 ($.03 per share).

In the fourth quarter of 1994, the Company elected to adopt Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," retroactively as of July 1, 1993. Under this new method of accounting, the Company accrues disability benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid. Prior to adoption, the Company recognized the cost of providing these benefits on a cash basis. Prior years' financial statements have not been restated. The cumulative effect of this accounting change was to increase the net loss for the first quarter of 1994 by $264,000 ($.03 per share), net of income taxes of $149,000. The effect of this accounting change on 1994 operations was not material.

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, 1994 and 1993, 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, 1994. These financial statements are the responsibility of the Company's management. Our responsibiity 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 Sun Company, Inc. and its subsidiaries as of December 31, 1994 and 1993 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, the Company changed: its method of accounting for postemployment benefits in 1994; its method of accounting for income taxes in 1993; and, its method of accounting for the cost of postretirement health care and life insurance benefits in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Changes in Accounting Principles

Effective January 1, 1994, Sun adopted the provisions of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112"). It required companies to recognize the obligation to provide benefits to their former or inactive employees after employment but before retirement. The cumulative effect of this accounting change for years prior to 1994 decreased net income for 1994 by $7 million (after related income tax benefit of $4 million), or $.07 per share of common stock. Excluding the cumulative effect, this change did not have a significant impact on Sun's net income during 1994.

Effective January 1, 1993, Sun adopted the provisions of SFAS No. 109 which changed the method of computing deferred income taxes from a deferred to a liability approach. Under the liability method, deferred income taxes are determined based on temporary differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse, and on available tax credits and carryforwards. The cumulative effect of this accounting change for years prior to 1993 increased net income for 1993 by $5 million, or $.05 per share of common stock. Excluding the cumulative effect, this change increased net income for 1993 by $45 million or $.42 per share of common stock, primarily due to lower U.S. income tax expense on foreign earnings including a $22 million reduction in deferred income tax expense attributable to the 1993 sale of certain exploration properties in the U.K. North Sea (Note 2). Since the deferred income tax assets and liabilities will have to be adjusted for any enacted change in tax rate, Sun's net income may be subject to increased volatility.

Effective January 1, 1992, Sun adopted the provisions of SFAS No. 106 which resulted in a change in the method of accounting for postretirement health care and life insurance benefits. Under SFAS No. 106, the expected cost of these benefits is actuarially determined and accrued ratably from the date of hire to the date the employee is fully eligible to receive the benefits. Previously, postretirement benefits expense was recognized when the insurance premiums which provided the benefits were due. The accumulated postretirement benefit obligation existing at January 1, 1992 was recognized as a cumulative effect of change in accounting principle, resulting in a charge of $261 million (after related income tax benefit of $140 million), or $2.46 per share of common stock. The cumulative effect included a $26 million charge (after related income tax benefit of $15 million) attributable to Sun's coal operations held for sale. Excluding the cumulative effect, during 1992, the incremental expense attributable to adoption of SFAS No. 106 decreased results from continuing operations by $9 million after tax or $.08 per share of common stock and reduced results from discontinued coal operations by $3 million after tax or $.03 per share of common stock (Note 13).

Investments

REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying consolidated balance sheets of AMETEK, Inc. as of December 31, 1994 and 1993, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1994. These financial statements are the responsiblity of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMETEK, Inc. at December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, the Company changed its method of accounting for marketable securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Accounting Change

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires that certain debt and equity securities be carried at market value. The cumulative effect on net income as of January 1, 1994, of adopting this statement for trading securities was to increase net income by $3.8 million (net of tax benefit of $2.4 million), or $.11 per share. The impact on stockholders' equity of adopting this statement for all securities was not significant.

As required by SFAS No. 115, management is to reevaluate the appropriate classification of securities at each balance sheet date, based on its intent to trade or hold the securities. Accordingly, and as a result of the consummation of new debt agreements by the Company in late March 1994 which contain restrictive covenants as to the amount and composition of the Company's investment portfolio (see Note 6), all securities classified as trading securities on March 31, 1994 (primarily those of a captive insurance subsidiary) having an aggregate fair value of $16.7 million were transferred to available-for-sale securities. The transfer had no effect on income or stockholders' equity.

Due to the restrictive covenants, most of the Company's trading securities portfolio were sold in late March 1994 and not replaced. Cash proceeds of $31.6 million were received from the sale of the securities, and the gross realized holding gains and losses were not significant. Under management's new investment objectives, the Company does not intend to actively trade securities currently held, or securities to be acquired in the future. Accordingly, at December 31, 1994, all of the Company's equity securities and fixed income securities are classified as available-for-sale. The aggregate market value of securities available-for-sale and classified as current and noncurrent assets at December 31, 1994 was $18.1 million ($19.3 million amortized cost). The gross unrealized holding gains and losses on these securities were not significant.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Omnicom Group Inc.:

We have audited the accompanying consolidated balance sheets of Omnicom Group Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1994. 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 Omnicom Group Inc. and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 13 to the consolidated financial statements, effective January 1, 1994, the Company changed its methods of accounting for postemployment benefits and certain investments in debt and equity securities. Effective January 1, 1992, the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page S-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Adoption of New Accounting Principles and Special Charge

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112"). This Statement establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement (referred to in this Statement as "postemployment benefits"). Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits, job training and counseling, and continuation of benefits such as health care benefits and life insurance coverage. The cumulative after tax effect of the adoption of SFAS No. 112 resulted in a reduction to net income of $28.0 million.

Effective January 1, 1994, the Company also adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). This Statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. In compliance with SFAS No. 115, the Company classifies these investments as investments available-for-sale. At December 31, 1994, the Company's investments consisted principally of time deposits with financial institutions. These investments, with scheduled maturities of less than one year, are valued at estimated fair value, which approximates cost. These investments are generally redeemed at face value upon maturity and, as such, gains or losses on disposition are immaterial. There are no material unrealized holding gains or losses as of December 31, 1994.

Effective January 1, 1992, the Company adopted SFAS No. 106 and SFAS No. 109. The cumulative after tax effect of the adoption of these Statements increased net income by $3.8 million, substantially all of which related to SFAS No. 109. Due to the continued weakening of the commercial real estate market in certain domestic and international locations and the reorganization of certain operations, the Company provided a special charge of $6.7 million pretax for losses related to future lease costs.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors
Sears, Roebuck and Co.

We have audited the accompanying Consolidated Statements of Financial Position of Sears, Roebuck and Co. as of December 31, 1994 and 1993, and the related Consolidated Statements of Income, Shareholders' Equity and Cash Flows for each of the three years in the period ended December 31, 1994. 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 Sears, Roebuck and Co. as of December 31, 1994 and 1993, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of accounting for certain investments in debt securities in 1993 and postretirement benefits in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting changes

Effective Dec. 31, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires securities that are available for sale be carried at fair value, with changes in net unrealized gains and losses recorded directly to shareholders' equity. Previously, fixed income securities classified as available for sale were carried at the lower of amortized cost or fair value, determined in the aggregate. The adoption of SFAS No. 115 had no impact on net income, but increased shareholders' equity by $1.18 billion at Dec. 31, 1993.

Effective Jan. 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits," for all domestic and foreign postretirement and postemployment benefit plans by immediately recognizing the transition amounts. The Company previously expensed the cost of these benefits, which consist of health care and life insurance, as claims were incurred.

Inventories

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors
Chesapeake Corporation:

We have audited the accompanying consolidated balance sheet of Chesapeake Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsiblity 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 Chesapeake Corporation and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of accounting for certain inventories in 1994. As discussed in notes 4, 6 and 13 to the consolidated financial statements, the Company changed its methods of accounting for postretirement benefits other than pensions and accounting for income taxes in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Inventories

Year-end inventories consist of:

(In millions)	1994	1993	1992
Finished goods	$26.6	$29.4	$ 47.0
Work in process	21.5	19.9	23.6
Materials and supplies	41.7	30.4	34.6
Totals	$89.8	$79.7	$105.2

Inventories determined by the LIFO method, included in the above, totaled (in millions) $38.9 for 1994, $15.8 for 1993 and $22.9 for 1992, or $12.1, $4.5 and $5.6 less than the respective amounts of such inventories stated at current costs.

Effective January 1, 1994, the Company changed the method of valuation of raw materials, work-in-process and finished goods of its Wisconsin Tissue Mills Inc. subsidiary from the average cost method to the LIFO method and expanded the use of the LIFO method to include all of the work-in-process and finished goods of its Chesapeake Packaging Co. subsidiary. The Company believes that, in periods of rapid cost increases, such as were experienced by the paper industry during 1994, use of the LIFO method will result in a better matching of current costs with current revenues. The effects of adopting the LIFO method at Wisconsin Tissue and expanding the use of the LIFO method at Chesapeake Packaging were to reduce consolidated year-end inventories by $4.4 million and to decrease net income for 1994 by $2.8 million ($.12 per share). The cumulative effect of this change to the LIFO method on the operating results as of the beginning of 1994 and the pro forma effects on the operating results of prior years have not been presented, as the effects are not readily determinable.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Fluke Corporation
Everett, Washington

We have audited the accompanying consolidated balance sheets of Fluke Corporation and subsidiaries as of April 29, 1994, April 30, 1993 and September 25, 1992, and the related consolidated statements of income, stockholders' equity and cash flows for the year ended April 29, 1994, the seven months ended April 30, 1993 and for each of the two years in the period ended September 25, 1992. These financial statements are the responsiblity 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 Fluke Corporation and subsidiaries at April 29, 1994, April 30, 1993 and September 25, 1992, and the consolidated results of their operations and their cash flows for the year ended April 29, 1994, the seven months ended April 30, 1993 and for each of the two years in the period ended September 25, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 4 and in Note 7 to the financial statements, in 1993 the Company changed its method of applying overhead costs to inventory and its method of accounting for income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Inventories

Effective in fiscal 1993, the Company changed its method of applying overhead costs to inventories. Previously, all overhead costs were applied to inventory during the production process based on various methods such as labor or machine hours. Under the new method, certain overhead costs are applied to purchased parts at the time inventory is received based on related procurement activities, and the remaining overhead costs are applied to inventory during the production process. The change was made to improve the valuation of inventory by applying overhead costs to inventory as the costs are incurred. The change in accounting for inventory is recorded as a cumulative effect of a change in an accounting principle, which had the effect of increasing 1993 net income by $2.4 million (net of income tax in the amount of $952,000). This change had no significant impact on 1993 income before cumulative effect of accounting changes. The financial statements have not been restated to reflect this accounting change; however, pro forma information, as if the change were made retroactively, is shown on the Consolidated Statements of Income.

Note 7 (In Part): Income Taxes

Effective September 26, 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Adoption of Statement No. 109 required the Company to change from the deferred method to the liability method of accounting for deferred income taxes. Under the liability method, deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting and the amounts used for tax purposes. Deferred income taxes are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of Statement No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and was measured at the tax rate in effect in the year the difference originated.

As permitted by Statement No. 109, the Company elected to record the cumulative effect of adopting the Statement and not restate the financial statements of prior years. The cumulative effect of the change increased net income in 1993 by $1.5 million or $0.21 per share.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
National Semiconductor Corporation

We have audited the accompanying consolidated balance sheets of National Semiconductor Corporation and subsidiaries as of May 29, 1994 and May 30, 1993, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended May 29, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsiblity 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 National Semiconductor Corporation and subsidiaries as of May 29, 1994 and May 30, 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended May 29, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for certain costs in inventory in 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Consolidated Balance Sheet Details

Effective beginning fiscal 1994, the Company changed its method of accounting to include certain costs in inventory which were previously charged directly to cost of sales as incurred. These costs consist primarily of product engineering, quality assurance and reliability, and production control and logistics. The Company believes this change is preferable in the circumstances because it more closely matches inventory costs with net sales and more closely aligns the Company with industry practices. The cumulative effect of this change on years prior to fiscal 1994 of $4.9 million is reflected in the 1994 first quarter results.

Both the impact of the change in fiscal 1994 and the proforma effect on net income for fiscal 1993 under the new method of accounting were immaterial.

Pension Costs

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Betz Laboratories, Inc.

We have audited the accompanying consolidated balance sheets of Betz Laboratories, Inc. as of December 31, 1994 and 1993, and the related consolidated statements of operations, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1994. 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 Betz Laboratories, Inc. at December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in the Notes to Consolidated Financial Statements, in 1993 the Company changed its methods of accounting for income taxes (Note 2) and postretirement benefits other than pensions (Note 9) and changed its method of calculating asset values used in the determination of pension expense (Note 3).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Income Taxes

Effective January 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by Financial Accounting Standard No. 109, "Accounting for Income Taxes." As permitted under the new rules, 1992 financial statements have not been restated.

The cumulative effect of adopting Statement 109 as of January 1, 1993 was to increase net income by $3,600,000. The effect on 1993 earnings before cumulative effect of accounting changes was not material.

3 (In Part): Employee Retirement Plans

The Company has defined benefit plans to provide pension benefits to substantially all of its employees. The benefits are primarily based on years of service and the employee's final average compensation. The Company's funding policy is to contribute an amount annually based upon actuarial and economic assumptions designed to achieve adequate funding of projected benefit obligations. Plan assets are principally invested in listed common stocks, bonds and common trust funds.

Effective January 1, 1993, the Company changed its method of calculating the value of assets of its pension plan for purposes of determining annual pension costs under Financial Accounting Standard No. 87. This calculated value is the basis for computing the annual expected return on plan assets and the net amortization and deferral component of pension costs. This calculated value recognizes changes in fair value of assets over three years (previously five years). The new method, which also changes the manner in which such changes in fair value are recognized over the three-year period, is preferable because, in the Company's situation, it produces a calculated value which more closely approximates fair value, and is therefore more sensitive to the current economic environment, while still mitigating the effect of extreme market value fluctuations.

The cumulative effect on years prior to 1993 was $1,241,000 (net of taxes of $780,000), or $0.4 per share, which is a one-time, noncash increase in net income for 1993. The effect of this change on 1993 results of operations and the pro forma effects on results of operations for 1992 are not material.

9 (In Part): Postretirement Benefits

The Company pays limited medical and dental insurance premiums on behalf of certain early retirees as well as providing a small life insurance benefit for certain retirees. Prior to 1993, the cost of these benefits, which was not significant, was charged to expense when incurred.

Effective January 1, 1993, the Company adopted Financial Accounting Standard No. 106. Under this Standard, the Company recognizes the cost of postretirement benefits over the active service period of its employees. The Company elected to recognize the transition obligation, which represents the previously unrecognized prior service cost, as a one-time noncash charge of $2,700,000 to net earnings in the first quarter of 1993. This charge was net of a $1,700,000 deferred tax benefit.

Impairment Of Long-Lived Assets

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
The Louisiana Land and Exploration Company:

We have audited the accompanying consolidated balance sheets of The Louisiana Land and Exploration Company and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1994. 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 The Louisiana Land and Exploration Company and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 12 and 13 to the consolidated financial statements, in 1993 the Company adopted the methods of accounting for income taxes and postretirement benefits other than pensions prescribed by Statements of Financial Accounting Standards Nos. 109 and 106, respectively. In addition, as discussed in Note 2 to the consolidated financial statements, in 1994 the Company changed its methods of assessing the impairment of the capitalized costs of proved oil and gas properties and other long-lived assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Write-Down of Petroleum Assets

In the fourth quarter of 1994, the Company changed its method of periodically assessing the impairment of capitalized costs of proved oil and gas properties. Historically, this assessment had been determined by comparing the total capitalized costs of oil and gas properties less accumulated depletion, depreciation and amortization and related deferred income taxes (net capitalized costs) to undiscounted future net cash flows of proved oil and gas reserves after estimated income taxes. Under the revised method, the Company assesses impairment by comparing net capitalized costs to undiscounted future net cash flows after estimated income taxes on a field-by-field basis using period-end prices. For measurement purposes, future net cash flows are determined using period-end prices adjusted for changes in prices as of the date of the auditors' report on the Company's consolidated financial statements. Prices utilized for measurement purposes and expected costs are held constant. As a result of the change in method, the Company reduced the capitalized costs of its oil and gas properties by a fourth quarter charge against earnings of approximately $280 million (before income tax benefits of $95 million).

In addition, the Company changed its method of measuring the impairment of other long-lived assets, specifically facilities, from a measurement based upon undiscounted future net cash flows to a measurement based upon fair value for assets where it is determined that net capitalized costs exceed undiscounted future net cash flows. As a result of this change, the Company reduced the capitalized costs of its refinery assets by a fourth quarter charge against earnings of $39 million (before income tax benefits of $13.7 million).

The Company believes that the changes discussed above are preferable because they better reflect, on a more current basis, the impact of changes in the financial components inherent in the calculation of the impairment of capitalized costs of proved petroleum properties and other long-lived assets. Because the above are changes in accounting estimates recognized in whole or in part by changes in accounting principles, the effects are reported as part of earnings (losses) before income taxes.

12 (In Part): Income Taxes

As explained in Note 1(e), the Company adopted SFAS No. 109 effective January 1, 1993. Upon adoption, the Company recorded a non-cash credit to earnings in the first quarter of 1993 of $13.7 million which represented the recognition of deferred tax assets exisiting at December 31, 1992.

13 (In Part): Retirement Benefits

The Company has postretirement medical and dental care plans for all eligible retirees and their dependents with eligibility based on age and years of service upon retirement. The Company also maintains a Medicare Part B reimbursement plan and life insurance coverage for a closed group of retirees of a former subsidiary for which estimated benefits of approximately $4.7 million were accrued at December 31, 1992. Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106 (SFAS No. 106)—"Employers' Accounting for Postretirement Benefits Other than Pensions," which changed the Company's practice of accounting for postretirement benefits on a pay-as-you-go (cash) basis by requiring accrual, during the years that the employee renders the necessary service, of the expected cost of providing those benefits to an employee and the employee's beneficiaries and covered dependents. Upon adoption, the Company recorded a transition liability of approximately $20.5 million ($13.5 million after income taxes) as a one-time, non-cash charge against earnings in the first quarter of 1993.

Turnaround Costs

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Tosco Corporation

We have audited the accompanying consolidated balance sheets of Tosco Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of operations, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1994. 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 the 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 Tosco Corporation and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1992 the Company changed its method of accounting for turnarounds, income taxes and postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Charges and Turnarounds. Financing charges related to the acquisition or refinancing of debt are deferred and amortized over the term of the related debt using the effective interest method.

Refinery processing units are periodically shut down for major maintenance (turnarounds). To provide for a better matching of costs with revenues, Tosco changed its accounting for turnaround costs, effective January 1, 1992, to one that results in the deferral and subsequent amortization of turnaround costs incurred on all significant processing units. The cumulative effect of this accounting change was a benefit of $3,203,000 (net of income taxes of $2,138,000) or $.11 per share for 1992. The cost of turnarounds is deferred and amortized on a straight-line basis over the expected period of benefit (the period to the next scheduled shutdown of the unit, which generally ranges from 24 to 48 months).

EMPHASIS OF A MATTER

Paragraph 37 of *Statement on Auditing Standards No. 58* states:

> In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to emphasize that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to emphasize an unusually important subsequent event or an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information should be presented in a separate paragraph of the auditors' report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

The auditors' reports for 15 survey companies included explanatory information emphasizing a matter regarding the financial statements. Seven of these explanatory information disclosures related to fresh start reporting.

Examples of explanatory information emphasizing a matter regarding the financial statements follow.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Interco Incorporated:

We have audited the accompanying consolidated balance sheets of INTERCO INCORPORATED and subsidiaries as of December 31, 1994 and December 31, 1993, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended December 31, 1994, year ended December 31, 1993, five months ended December 31, 1992, and five months ended August 2, 1992. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of INTERCO INCORPORATED and subsidiaries at December 31, 1994 and December 31, 1993, and the results of their operations and their cash flows for the year ended December 31, 1994, year ended December 31, 1993, five months ended December 31, 1992, and five months ended August 2, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective August 2, 1992, INTERCO INCORPORATED was required to adopt "fresh-start" reporting principles in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." As a result, the financial statements for the period subsequent to the adoption of fresh-start reporting are presented on a different cost basis than that for prior periods and, therefore, are not comparable.

As discussed in Notes 2 and 6 to the consolidated financial statements, the company changed its method of accounting for postretirement benefits and income taxes in calendar year 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Fresh-Start Reporting

On January 24, 1991, INTERCO INCORPORATED and its domestic subsidiaries filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Missouri (the "Court"). The Company emerged from Chapter 11 effective with the beginning of business on August 3, 1992. In general, the Plan of Reorganization (the "Plan") provided for resolution of all claims against the Company as of January 24, 1991, the Chapter 11 filing date, as well as resolution of certain legal disputes, in exchange for cash, new indebtedness and/or new common equity securities. The Plan provided for no distributions to the holders of the Company's Series D Preferred Stock, Series E Preferred Stock or common stock, and all outstanding shares of those equity securities were cancelled as of the effective date of the Plan.

As of August 2, 1992, in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), the Company was required to adopt "fresh-start" reporting and reflect the effects of such adoption in the financial statements as of August 2, 1992. The ongoing impact of the adoption of fresh-start reporting is reflected in the financial statements for the years ended December 31, 1994 and 1993 and five months ended December 31, 1992.

In adopting fresh-start reporting, the Company, with the assistance of its financial advisors, was required to determine its reorganization value, which represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the Company immediately after its emergence from Chapter 11 status. The reorganization value of the Company was determined by consideration of several factors, including: the discounted residual value of the Company; market share, position and competition of each operating company; projected sales, profitability growth and working capital requirements; and general economic considerations. Various valuation methods were relied upon, including: discounted cash flow, price/earnings ratios, comparable merger and acquisition activities and other applicable ratios and industry indices.

The adjustments to reflect the consummation of the Plan (including the gain on extinguishment of debt relating to pre-petition liabilities) and the adjustment to record assets and liabilities at their fair values (including the establishment of reorganization value in excess of amounts allocable to identifiable assets) have been reflected in the accompanying consolidated financial statements. Accordingly, a vertical black line is shown in the consolidated financial statements to separate post-emergence operations from those prior to August 3, 1992 since they have not been prepared on a comparable basis.

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders of Standard Commercial Corporation.

We have audited the accompanying consolidated balance sheets of Standard Commercial Corporation as of March 31, 1994 and 1993 and the related consolidated statements of income and retained earnings and of cash flows for each of the three years in the period ended March 31, 1994. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 1994 and 1993 and the results of its operations and its cash flows for each of the three years in the period ended March 31, 1994 in conformity with generally accepted accounting principles.

As described in note 10 to the consolidated financial statements, the Company has received commitments from various United States and European banks for a total of up to $400 million of credit facilities which will substantially replace or extend existing facilities, including facilities for an amount of $150 million in the United States. Availability under these new credit facilities beyond September 15, 1994 is subject to the closing of a $100 million private placement of long-term, senior secured notes.

As discussed in notes 11 and 16 to the consolidated financial statements, effective April 1, 1993 the Company changed its method of accounting for postretirement benefits other than pensions and its method of accounting for income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Compliance With Covenants and Restructuring of Debt Facilities

The Company has reclassified $20.0 million of long-term debt to current, because it was not in compliance with certain loan covenants at March 31, 1994. Further, on March 31, 1994 the Company was not in compliance with covenants in certain loan agreements with respect to $14.2 million of outstanding long-term debt and its $150 million U.S. short-term credit facilities (of which $65 million was outstanding at March 31, 1994). However, the lenders involved have amended the related agreements to permit the Company to be in compliance with such covenants as of March 31, 1994. Under its most restrictive amended covenant, the Company had $3.4 million of retained earnings available for distribution as dividends at March 31, 1994. The Company has received commitments in respect of the new U.S. 364-day credit facilities for an amount of $150 million, and has also received commitments from several European banks for 364-day credit facilities of $250 million. Availability under these new credit facilities beyond September 15, 1994 will be conditional upon the closing of a $100 million private placement of long-term, senior secured notes. The net proceeds of this placement will be used to refinance existing indebtedness. The maximum drawing under the new U.S. credit facilities will be $130 million which are scheduled to reduce progressively through its expiration on July 27, 1995.

Management expects the placement of the new senior secured notes to be successful. In the event it is not completed, management believes there are a number of viable refinancing alternatives, including the sale of convertible debentures, preferred stock or common stock.

DEPARTURES FROM UNQUALIFIED OPINIONS

Statement on Auditing Standards No. 58 does not require auditors to express qualified opinions as to the effects of uncertainties or as to lack of consistency. Under *SAS No. 58*, departures from unqualified opinions include opinions qualified because of a scope limitation or a departure from generally accepted accounting principles, adverse opinions, and disclaimers of opinion. Paragraphs 38–72 of *SAS No. 58* discuss these departures. None of the auditors' reports issued in connection with the financial statements of the survey companies contained a 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. Eleven 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 Not Presented

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Scott Paper Company

We have audited the accompanying consolidated balance sheet of Scott Paper Company and its subsidiaries as of December 31, 1994, and the related consolidated statements of operations, cash flows and common shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Scott Paper Company and its subsidiaries for the years ended December 25, 1993 and December 26, 1992 were audited by other auditors whose report dated January 25, 1994, included an explanatory paragraph that described the changes in accounting for income taxes in 1993 and postretirement benefits other than pensions in 1992 as discussed under Accounting Policies in the Financial Review Notes.

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 1994 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scott Paper Company and its subsidiaries as of December 31, 1994, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
UNC Incorporated:

We have audited the accompanying consolidated balance sheet of UNC Incorporated and subsidiaries as of December 31, 1994 and the related consolidated statement of earnings, cash flows and changes in shareholders' equity 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 UNC Incorporated and subsidiaries as of December 31, 1993 and for the years ended December 31, 1993 and 1992, were audited by other auditors, whose report, dated February 9, 1994 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of UNC Incorporated and subsidiaries as of December 31, 1994 and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

Predecessor Auditors' Report Reissued

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and
Board of Directors of
Hurco Companies, Inc.

We have audited the accompanying consolidated balance sheet of Hurco Companies, Inc. and subsidiaries as of October 31, 1994, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year then ended. These financial statements and schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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.

Substantially all of the Company's debt will be payable in January 1996. As discussed in Note 2 to the accompanying consolidated financial statements, management is in the process of developing a plan to refinance these obligations prior to their due date.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hurco Companies, Inc. and subsidiaries as of October 31, 1994, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed further in Note 10 to the accompanying consolidated financial statements, a shareholder lawsuit seeking class action certification has been filed against the Company. The ultimate outcome of this lawsuit cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been recognized in the accompanying consolidated financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a) 2 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors
Hurco Companies, Inc.
Indianapolis, Indiana

We have audited the consolidated balance sheet of Hurco Companies, Inc. and subsidiaries as of October 31, 1993, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended October 31, 1993. 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 Company has incurred significant losses from operations in 1993 and 1992. The Company has entered into new loan agreements to cure certain violations of financial covenants and has implemented a plan for restructuring its operations as discussed in Notes 2 and 4 to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hurco Companies, Inc. and subsidiaries as of October 31, 1993, and the consolidated results of their operations and their cash flows for each of the two years in the period ended October 31, 1993, in conformity with generally accepted accounting principles.

As described in Note 10 to the consolidated financial statements, a shareholder lawsuit seeking class action certification was filed against the Company in February 1994. The ultimate outcome of this lawsuit cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been recognized in the accompanying consolidated financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a) 2 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

December 10, 1993 except as to
information presented in Notes 1,
4 and 10, for which the date is
March 25, 1994.

OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFORMATION

Table 6-6 shows that ocasionally 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			
	1994	**1993**	**1992**	**1991**
Financial statement schedules	32	34	29	30
Other	—	—	—	2

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Anacomp, Inc.:

We have audited the accompanying consolidated balance sheets of Anacomp, Inc. and subsidiaries as of September 30, 1994 and 1993, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1994. These financial statements and schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anacomp, Inc. and subsidiaries as of September 30, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, effective October 1, 1993, the Company changed its method of accounting for income taxes.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in Item 14(a) 2 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REPORT OF INDEPENDENT AUDITORS

Board of Directors,
Imo Industries Inc.

We have audited the accompanying consolidated balance sheets of Imo Industries Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, cash flows and shareholders' equity (deficit) for each of the three years in the period ended December 31, 1994. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 Imo Industries Inc. and subsidiaries at December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 13 to the financial statements, in 1992 the Company changed its method of accounting for postretirement benefits other than pensions.

DATING OF REPORT

Section 530 of *Statement on Auditing Standards No. 1* discusses dating of the independent auditors' report. Paragraphs 1 and 5 of Section 530 state:

> Generally, the date of completion of the fieldwork should be used as the date of the Independent auditors' report. Paragraph .05 describes the procedure to be followed when a subsequent event occurring after the completion of the fieldwork is disclosed in the financial statements.
>
> The independent auditor has two methods available for dating his report when a subsequent event disclosed in the financial statements occurs after completion of his fieldwork but before issuance of his report. He may use "dual dating," for example, "February 16, 19XX, except for Note X, as to which the date is March 1, 19XX," or he may date his report as of the later date. In the former instance, his responsibility for events occurring subsequent to the completion of his fieldwork is limited to the specific event referred to in the note (or otherwise disclosed). In the latter instance, the independent auditors' responsibility for subsequent events extends to the date of his report and, accordingly, the procedures outlined in section 560.12 generally should be extended to that date.

Auditors' reports for 42 survey companies used dual dating. Examples of dual dating follow.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of ASARCO Incorporated

We have audited the accompanying consolidated balance sheets of ASARCO Incorporated and Subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of earnings, cash flows, and changes in common stockholders' equity for each of the three years in the period ended December 31, 1994. 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 ASARCO Incorporated and Subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 6 to the financial statements, the Company changed its method of accounting for investments classified as available-for-sale, as of December 31, 1993 and its equity investee Southern Peru Copper Corporation changed its method of accounting for income taxes as of January 1, 1993. In addition, in 1992, as discussed in Note 11 to the financial statements, the Company changed its method of accounting for postretirement benefits other than pensions.

January 24, 1995, except for Note 14,
as to which the date is January 30, 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Event

On January 27, 1995, the Company entered into an agreement, subject to court approval, to settle a class action lawsuit pending in the United States District Court in Seattle alleging damages due to emissions from Asarco's former Tacoma, Washington smelter. The agreement will not affect the Company's earnings as amounts previously accrued are sufficient to cover the estimated cost of the settlement to the Company.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Acme-Cleveland Corporation

We have audited the accompanying consolidated balance sheets of Acme-Cleveland Corporation and Subsidiaries as of September 30, 1994 and 1993, and the related statements of consolidated operations, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acme-Cleveland Corporation and Subsidiaries as of September 30, 1994 and 1993, and the results of their operations and cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes D and G to the consolidated financial statements, effective October 1, 1993, the Company changed its method of accounting for income taxes, postemployment benefits, and postretirement benefits other than pensions.

November 1, 1994 except for
the second paragraph of Note B
as to which the date is
November 21, 1994

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Acquisitions Subsequent to Year End

Subsequent to year end, the Company completed three acquisitions. Such acquisitions will be accounted for using the purchase method of accounting. The results of operations of the acquired companies will be included in 1995 from the respective dates of their acquisitions.

On November 1, 1994, the Company acquired all of the outstanding shares of common stock of Ball Screws & Actuators Co., Inc. (BSA) for a cash price of $6,500,000. Two contingent payments of $750,000 each will become payable if certain sales goals are achieved by BSA in calendar year 1995 and 1996. BSA, located in San Jose, California, develops, manufactures, and distributes motion and positioning system components including precision ball screws and nuts, lead screws, actuators, linear guides, and associated products. Primary customers are manufacturers of equipment produced for the electronics industry and the medical industry. On November 21, 1994, the Company acquired for cash all of the outstanding shares of common stock of TxPort, Inc.. (TxPort) for $26,250,000. TxPort, located in Madison County, Alabama, develops, manufactures, and sells digital data access products that are used to connect high speed digital data equipment. Primary customers are the telephone operating companies, interexchange carriers, and Fortune 500 type firms that operate private communication networks. Also on November 21, 1994, the Company acquired for cash the product lines, assets, and related rights of Phoenix Microsystems, Inc. (Phoenix), located in Huntsville, Alabama, for $3,000,000. Phoenix manufactures and sells low speed test instrumentation for the digital telecommunication and data market, primarily for the telephone operating companies.

BSA will be operated within the precision products segment; TxPort will be operated within the telecommunication and electronic products segment. Phoenix will be integrated as a product line within the Company's existing telecommunication business unit.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
MagneTek, Inc.

We have audited the accompanying consolidated balance sheets of MagneTek, Inc. as of June 30, 1994 and 1993, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1994. 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 MagneTek, Inc. at June 30, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 9 to the financial statements, the Company changed its method of accounting for income taxes and postretirement medical benefits in 1993.

August 18, 1994,
except for the second paragraph of Note 4,
as to which the date is
September 29, 1994

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in the notes to consolidated financial statements are expressed in thousands, except share and per share data.

4 (In Part): Long-term debt and bank borrowing arrangements

Bank Borrowing Arrangements

At June 30, 1994, the Company had an agreement with a group of banks whereby the banks have committed to lend on a domestic basis up to $200,000 through April 30, 1996. Under the agreement, as amended (the "Revolving Credit Agreement") borrowings under the credit facility bear interest at the banks' prime lending rate plus one-half percent or, at the Company's option, the London Interbank Offered Rate plus one and three quarters percent. These rates may be reduced by up to one-half and one and one-eighth percent, respectively, based upon the achievement of specified leverage ratios. At June 30, 1994, borrowings outstanding under the Revolving Loan Agreement bore interest at a weighted average rate of approximately 7.4 percent. The Company is required to pay a commitment fee of three-eighths percent on the unused commitment.

Borrowings under the Revolving Loan Agreement are secured by the stock of the Company's domestic subsidiaries. The Revolving Loan Agreement contains certain provisions and covenants which, among other things, restrict the payment of cash dividends on common stock, limit the amount of future indebtedness and require the Company to maintain specified levels of net worth and cash flow. The Company has received a waiver from the banks related to certain covenants for which the Company was not in compliance at June 30, 1994. Subsequent to June 30, 1994, the Company amended the Revolving Credit Agreement to adjust the financial covenants prospectively based upon a review of expected future operating performance and the effects of the Company's restructuring program (see Note 2). As a result of these amendments, the banks' lending commitment was reduced to $150,000 and the interest rate on borrowings was increased by one-quarter percent. The banks' lending commitment will be further reduced upon required repayment of currently outstanding borrowings with proceeds received from th sale of discontinued operations. Such commitment will not be reduced below $100,000. The amendments also restrict the Company's ability to repay other indebtedness under certain circumstances.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Meredith Corporation:

We have audited the accompanying consolidated balance sheets of Meredith Corporation and subsidiaries as of June 30, 1994 and 1993, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended June 30, 1994. 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 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 Meredith Corporation and subsidiaries at June 30, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 1994, in conformity with generally accepted accounting principles.

August 1, 1994, except for Note 16 as to which the date is August 19, 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Event

On August 19, 1994, the Company announced that it reached an agreement to acquire the assets of WSMV-TV, an NBC affiliate in Nashville, Tennessee, from Cook Inlet Television Partners. The Company will pay $159 million for WSMV-TV and plans to acquire the television station using cash and debt financing. The acquisition is expected to close in January 1995, pending Federal Communications Commission and other regulatory approvals. Nashville is the country's 33rd largest television market.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Met-Pro Corporation and its Wholly-Owned Subsidiaries
Harleysville, Pennsylvania

We have audited the accompanying consolidated balance sheet of Met-Pro Corporation and its Wholly-Owned Subsidiaries as of January 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 1995. 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 Met-Pro Corporation and its Wholly-Owned Subsidiaries as of January 31, 1995 and 1994 and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1995 in conformity with generally accepted accounting principles.

February 23, 1995, except for
Note 13, as to which the date
is February 27, 1995

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On February 27, 1995, the Board of Directors declared a 3-for-2 stock split and a cash dividend of $.30 per share, both of which are payable on May 12, 1995 to stockholders of record on April 7, 1995. The dividend will be paid on all outstanding shares, including those issued as a result of the stock split.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Quanex Corporation
Houston, Texas

We have audited the accompanying consolidated balance sheet of Quanex Corporation and subsidiaries as of October 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 1994. Our audits also included the financial statement schedules listed in the index on page 33. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Quanex Corporation and subsidiaries as of October 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Notes 1 and 9 of "Notes to Consolidated Financial Statements," The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as of November 1, 1991.

November 23, 1994
(December 29, 1994 as to Note 17)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Subsequent Event

On December 29, 1994, the Company acquired $59.5 million principal amount of its 10.77% Senior Notes, due August 23, 2000, for a purchase price equal to 105% of the principal amount plus accrued interest. The purchase will result in a one-time, after-tax extraordinary charge of approximately $2.0 million in the first quarter of 1995.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Raytheon Company
Lexington, Mass.

We have audited the accompanying balance sheets of Raytheon Company and Subsidiaries Consolidated as of Dec. 31, 1994 and 1993, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended Dec. 31, 1994. 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 Raytheon Company and Subsidiaries Consolidated as of Dec. 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended Dec. 31, 1994, in conformity with generally accepted accounting principles.

January 19, 1995, except as to the
information presented in Note R for
which the date is February 22, 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note R. Subsequent Events

On February 22, 1995, the Board of Directors authorized the repurchase of up to 6 million shares of the company's common stock. The company will repurchase shares in the open market from time to time as conditions may warrant.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors
of WMX Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of WMX Technologies, Inc. (formerly Waste Management, Inc.) and Subsidiaries as of December 31, 1993 and 1994, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 1994. 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 WMX Technologies, Inc. and Subsidiaries as of December 31, 1993 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 11 to the consolidated financial statements, effective January 1, 1992, the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

February 6, 1995 (except with respect to the
matter discussed in Note 17, as to which the
date is March 14, 1995)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Subsequent Event

Although CWM restructured its operations in 1994 to adapt to market conditions, and substantially reduced its overhead, its chemical waste services line of business has continued to underperform, and management is continuing to evaluate alternatives to address this situation. On March 14, 1995, the Board of Directors approved a plan to further reduce the scope of the chemical waste services business by selling or otherwise eliminating technologies and/or service locations which are not meeting customer service or performance objectives. Management is finalizing the details of this plan, which is expected to result in an additional restructuring charge of approximately $140 million pretax in the first quarter of 1995.

REPORTS OF AUDIT COMMITTEE AND MANAGEMENT

Fourteen survey companies presented a Report of An Audit Committee and 355 survey companies presented a Report of Management. Examples of such reports follow.

Reports Of Audit Committee

BAUSCH & LOMB INCORPORATED

REPORT OF THE AUDIT COMMITTEE

The audit committee of the board of directors is comprised of three outside directors. The members of the committee are: Kenneth L. Wolfe, Chairman; Linda Johnson Rice; and Alvin W. Trivelpiece, Ph.D. The committee held three meetings during 1994.

The audit committee meets with the independent accountants, management and the internal auditors to provide reasonable assurance that management fulfills its responsibilities in the preparation of the financial statements and in the maintenance of an effective system of internal controls. The audit committee reviews the performance and fees of the independent accountants, recommends their appointment and meets with them and the internal auditors, without management present, to discuss the scope and results of their audit work. Both the independent accountants and the internal auditors have full access to the audit committee.

Chairman

DAYTON HUDSON CORPORATION

REPORT OF AUDIT COMMITTEE

The Audit Committee met twice during fiscal 1994 to review the overall audit scope, plans for internal and independent audits, the Corporation's internal controls, emerging accounting issues, officer and director expenses, audit fees and retirement plans. The Committee also met individually with the internal auditors and independent auditors, without management present, to discuss the results of their audits. The Committee encourages the internal and independent auditors to communicate closely with the Committee.

Audit Committee results were reported to the full Board of Directors, and the Corporation's annual financial statements were reviewed and approved by the Board before issuance. The Audit Committee also recommended to the Board of Directors that the independent auditors be reappointed for fiscal 1995, subject to the approval of the shareholders at the annual meeting.

Reports Of Management

AMP INCORPORATED

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements and other financial information contained in this Annual Report are the responsibility of management. They have been prepared in accordance with generally accepted accounting principles applied on a materially consistent basis and are deemed to present fairly the consolidated financial position of AMP Incorporated and subsidiaries, and the consolidated results of their operations. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this Annual Report, management relies on the Company's system of internal controls. This system has been established to ensure, within reasonable limits, that assets are safeguarded, that transactions are properly recorded and executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the financial statements. It is recognized that no system of internal controls can detect and prevent all errors and irregularities. Management believes that the established system provides an acceptable balance between benefits to be gained and their related costs.

It has always been the policy and practice of the Company to conduct its affairs ethically and in a socially responsible manner. Employee awareness of these objectives is achieved through regular and continuing key written policy statements. Management maintains a systematic program to ensure compliance with these policies.

As part of their audit of the financial statements, the Company's independent public accountants review and assess the effectiveness of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. In addition, the Company maintains a staff of internal auditors who work with the independent public accountants to ensure adequate auditing coverage of the Company and who conduct operational audits of their own design. Management emphasizes the need for constructive recommendations as part of the auditing process and implements a high proportion of their suggestions.

The Audit Committee of the Board of Directors meets with the independent public accountants, internal auditors and management periodically to review their respective activities and the discharge of each of their responsibilities. Both the independent public accountants and the internal auditors have free access to the Audit Committee, with or without management, to discuss the scope of their audits and the adequacy of the system of internal controls.

ALUMINUM COMPANY OF AMERICA

MANAGEMENT'S REPORT TO ALCOA SHAREHOLDERS

The accompanying financial statements of Alcoa and consolidated subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. The other financial information included in this annual report is consistent with that in the financial statements.

The company maintains a system of internal controls, including accounting controls, and a strong program of internal auditing. The system of controls provides for appropriate procedures that are consistent with high standards of accounting and administration. The company believes that its system of internal controls provides reasonable assurance that assets are safeguarded against losses from unauthorized use or disposition and that financial records are reliable for use in preparing financial statements.

Management also recognizes its responsibility for conducting the company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of the host countries in which the company operates and potentially conflicting outside business interests of its employees. The company maintains a systematic program to assess compliance with these policies.

Chairman of the Board and Chief Executive Officer
Executive Vice President and Chief Financial Officer

BAKER HUGHES INCORPORATED

MANAGMENT REPORT OF FINANCIAL RESPONSIBILITIES

The management of Baker Hughes Incorporated is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintans and relies on the Company's system of internal control. This system includes written policies, an organizational structure providing division of responsibilities, the selection and training of qualified personnel and a program of financial and operational reviews by a professional staff of corporate auditors. The system is designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements. Management believes that, as of September 30, 1994, the Company's internal control system provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period and is cost effective.

Management recognizes its responsibiity for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's Standards of Conduct which is distributed throughout the Company. Management maintains a systematic program to assess compliance with the policies included in the code.

The Board of Directors, through its Audit/Ethics Committee composed solely of nonemployee directors, reviews the Company's financial reporting, accounting and ethical practices. The Audit/Ethics Committee recommends to the Board of Directors the selection of independent public accountants and reviews their fee arrangements. It meets periodically with the independent public accountants, management and the corporate auditors to review the work of each and the propriety of the discharge of their responsibilities. The independent public accountants and the corporate auditors have full and free access to the Audit/Ethics Committee, without management present, to discuss auditing and financial reporting matters.

Chairman, President and Chief Executive Officer
Senior Vice President and Chief Financial Officer
Controller

BERGEN BRUNSWIG CORPORATION

MANAGEMENT REPORT

Management is responsible for preparing the accompanying consolidated balance sheets as of September 30, 1994 and August 31, 1993 and the related statements of consolidated earnings and retained earnings and cash flows for the year ended September 30, 1994 and the years ended August 31, 1993 and 1992 and six-year financial summary, including notes. The statements have been prepared in conformity with generally accepted accounting principles, and include amounts that are based on management's best estimates and judgments. Other financial information herein is consistent with that in the consolidated financial statements.

The annual audit by the independent auditors provides an objective, independent review of management's discharge of its responsibilities as they relate to the fairness of reported operating results and financial condition. The auditors obtain and maintain an understanding of the Company's accounting and financial controls and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the Company's consolidated financial statements.

In addition to using independent auditors, the Company maintains a system of internal financial controls and procedures. The system, which is regularly reviewed for effectiveness, is augmented by written policies and guidelines and monitored by a qualified internal audit review. The system is implemented by qualified personnel under arrangements that provide for appropriate delegation of authority and segregation of responsibility. Management recognizes that no internal control system can always work perfectly. It believes, however, that its internal control system provides reasonable assurance that any material errors and irregularities are prevented or would be detected and corrected in a timely manner.

The Company has had an Audit Committee of the Board of Directors for the past 17 years. The Committee is comprised of outside directors of the Company and meets as required, but at a minimum of three times a year, with independent and internal auditors to review the work of each. The independent and internal auditors have complete access to the Committee and meet with the Committee, with and without management present, to discuss any appropriate matters.

Executive Vice President,
Chief Financial Officer

ECOLAB INC.

REPORT OF MANAGEMENT

Management is responsible for the integrity and objectivity of the consolidated financial statements. The statements have been prepared in accordance with generally accepted accounting principles and, accordingly, include certain amounts based on management's best estimates and judgments.

To meet its responsibility, management has established and maintains a system of internal controls that provides reasonable assurance regarding the integrity and reliability of the financial statements and the protection of assets from unauthorized use or disposition. These systems are supported by qualified personnel, by an appropriate division of responsibilities and by an internal audit function. There are limits inherent in any system of internal controls since the cost of monitoring such systems should not exceed the desired benefit. Management believes that the company's system of internal controls is effective and provides an appropriate cost/benefit balance.

The Board of Directors, acting through its Audit Committee composed solely of outside directors, is responsible for determining that management fulfills its responsibilities in the preparation of financial statements and maintains financial control of operations. The Audit Committee recommends to the Board of Directors the appointment of the company's independent accountants subject to ratification by the shareholders. It meets regularly with management, the internal auditors and the independent accountants.

The independent accountants provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fair presentation of the consolidated financial statements. Their report is presented separately.

Chairman of the Board and Chief Executive Officer
Vice Chairman, Chief Financial and Administrative Officer

THE PERKIN-ELMER CORPORATION

STATEMENT OF FINANCIAL RESPONSIBILITY

To the Shareholders of the Perkin-Elmer Corporation

The company is responsible for the preparation and integrity of the accompanying consolidated financial statements. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts based upon management's best estimates and judgments. These accounting principles have been consistently applied. The financial statements are believed to reflect, in all material respects, the substance of events and transactions that should be included. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In meeting its responsibility for preparing reliable financial statements, the Company depends on its system of internal accounting controls. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are exectued in accordance with the appropriate corporate authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company believes that its 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 by employees in the normal course of performing their assigned functions. The concept of reasonable assurance is based on the recognition that judgments are required to assess and balance the costs and expected benefits of a system of internal accounting controls. Written internal accounting control and other operating policies and procedures supporting this system are communicated throughout the Company. Adherence to these policies and procedures is reviewed through a coordinated audit effort of the Company's internal audit staff and independent accountants.

The independent accountants review and test the system of internal accounting controls to the extent they consider necessary to support their opinion on the consolidated financial statements of the Company. Their report is the result of an independent and objective review of management's discharge of its responsibilities relating to the fairness of reported operating results and financial condition.

The Company's Board of Directors has an Audit Committee composed solely of outside directors. The committee meets periodically with the Company's independent accountants, management and internal auditors to review matters relating to the quality of financial reporting and internal accounting controls, the nature and extent of internal and external audit plans and results, and certain other matters. The independent accountants, whose appointment is recommended by the Audit Committee to the Board of Directors, have full and free access to this committee.

A statement of business ethics policy is communicated to all Company employees. The Company monitors compliance with this policy to help assure that operations are conducted in a responsible and professional manner with a commitment to the highest standard of business conduct.

Vice President, Finance
Chief Financial Officer

Chairman and
Chief Executive Officer

Appendix of 600 Companies

List of 600 Companies on Which Tabulations Are Based

(In this edition, companies have been assigned the same number as in the Forty-eighth (1994) edition. Eleven companies in the 1994 edition have been eliminated and their numbers left unused. These 11 companies were replaced by 6 companies included in certain prior editions but not the 1994 edition, and 5 companies not previously included in any prior editions. 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
	ABM Industries Incorporated—*see 30*	
2	AEL Industries, Inc.	2
4	AM International, Inc.	7
6	AMETEK, Inc.	12
7	AMP Incorporated	12
9	ASARCO Incorporated	12
	AST Research, Inc.—*see 816*	
	AT & T Corp.—*see 43*	
10	Abbott Laboratories	12
	Acclaim Entertainment, Inc.—*see 736*	
11	Acme-Cleveland Corporation	9
	Acme Metals Incorporated—*see 651*	
	The Actava Group Inc.—*see 224*	
13	Action Industries, Inc.	6
	Advanced Micro Devices, Inc.—*see 652*	
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*	
	Alliant Techsystems Inc.—*see 777*	
20	AlliedSignal Inc.	12
23	Alpha Industries, Inc.	3
	Alumax Inc.—*see 817*	
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	*ABM Industries Incorporated*	10
33	American Greetings Corporation	2
35	American Home Products Corporation	12
36	American Maize-Products Company	12
39	*FINA, Inc.*	12

Co. No.		*Month in which fiscal year ends
41	American Standard Companies Inc.	12
42	American Stores Company	1
43	*AT & T Corp.*	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
56	Armco Inc.	12
57	Armstrong World Industries, Inc.	12
59	Arvin Industries, Inc.	12
60	Ashland Oil, Inc.	9
62	Astrosystems, Inc.	6
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
	Banta Corporation—*see 806*	
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
82	Bergen Brunswig Corporation	9
83	Bethlehem Steel Corporation	12
	Betz Laboratories, Inc.—*see 698*	
	Binks Manufacturing Company—*see 739*	
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 Industries, Inc.—*see 818*	
	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
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
	Centex Corporation—*see 836*	
	Central Sprinkler Corporation—*see 819*	
	Ceridian Corporation—*see 145*	
	Champion Enterprises, Inc.—*see 740*	
117	Champion International Corporation	12
	Chesapeake Corporation—*see 659*	
121	Chevron Corporation	12
	Chiquita Brands International, Inc.—*see 557*	
124	Chock Full o'Nuts Corporation	7
126	Chrysler Corporation	12
127	Cincinnati Milacron Inc.	12
	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

Co. No.		*Month in which fiscal year ends
133	The Coca-Cola Company	12
	Coca-Cola Enterprises Inc.—*see 660*	
	Coherent, Inc.—*see 742*	
135	Colgate-Palmolive Company	12
136	Collins & Aikman Corporation	3
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*	
144	Consolidated Papers, Inc.	12
145	*Ceridian 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
156	Culbro Corporation	11
157	Cummins Engine Company, Inc.	12
158	Curtiss-Wright Corporation	12
	Customedix Corporation—*see 781*	
	Cyprus Amax 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*	
	Detroit Diesel Corporation—*see 821*	
	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
	Doskocil Companies Incorporated—see 745	
176	Dover Corporation	12
177	The Dow Chemical Company	12
178	Dow Jones & Company, Inc.	12
180	Dravo Corporation	12
181	Dresser Industries, Inc.	10
182	The Dun & Bradstreet Corporation	12
183	Duplex Products Inc.	10
184	E.I. du Pont de Nemours and Company	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Duracell International Inc.—*see 799*	
	The Duriron Company, Inc.—*see 666*	
186	Dynamics Corporation of America	12
	E-Systems, Inc.—*see 616*	
187	EG&G, Inc.	12
	ERLY Industries Inc.—*see 746*	
188	Eagle-Picher Industries, Inc.	11
190	The Eastern Company	12
191	Eastman Kodak Company	12
192	Eaton Corporation	12
193	Echlin Inc.	8
	Ecolab Inc.—*see 617*	
	Ekco Group, Inc.—*see 115*	
194	Elcor Corporation	6
195	Emerson Electric Co.	9
198	Engelhard Corporation	12
	Enviroq Corporation—*see 822*	
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 Enterprise, Inc.	4
213	Fleming Companies, Inc.	12
214	Flowers Industries, Inc.	6
215	Fluke Corporation	4
216	Fluor Corporation	10
219	Ford Motor Company	12
	L.B. Foster Company—*see 669*	
221	Foster Wheeler Corporation	12
	FoxMeyer Corporation—*see 396*	
222	Freeport-McMoRan Inc.	12
	Fruit of the Loom, Inc.—*see 670*	
	H.B. Fuller Company—*see 621*	
	Furon Company—*see 823*	
224	*The Actava Group Inc.*	12
227	GTI Corporation	12
228	Gannett Co., Inc.	12
	Garan, Incorporated—*see 671*	
230	GenCorp Inc.	11
231	*Harcourt General, Inc.*	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
245	Giant Food Inc.	2
246	The Gillette Company	12
247	Golden Enterprises, Inc.	5
248	The BFGoodrich Company	12
249	The Goodyear Tire & Rubber Company	12
251	Goulds Pumps, Incorporated	12
252	W.R. Grace & Co.	12
253	W.W. Grainger, Inc.	12
254	The Great Atlantic & Pacific Tea Company, Inc.	2
256	Greif Bros. Corporation	10
257	*The Dial Corp.*	12
	Guardsman Products, Inc.—*see 749*	
259	Guilford Mills, Inc.	9
263	HON INDUSTRIES Inc.	12
264	Halliburton Company	12
266	Hampton Industries, Inc.	12
267	Handy & Harman	12
	M.A. Hanna Company—*see 672*	
	Harcourt General, Inc.—*see 231*	
	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*	
280	Homasote Company	12
	Homedco Group, Inc.—*see 808*	
281	Honeywell Inc.	12
282	Hormel Foods Corporation	10
283	Hughes Supply, Inc.	1
285	Humana Inc.	12
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*	
291	ITT Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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
295	Intel Corporation	12
296	Interco Incorporated	12
	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
301	International Multifoods Corporation	2
302	International Paper Company	12
	The Interpublic Group of Companies, Inc.—*see 837*	
303	Interstate Bakeries Corporation	5
305	JLG Industries, Inc.	7
	Jacobs Engineering Group Inc.—*see 754*	
307	James River Corporation of Virginia	12
	Jefferson Smurfit Corporation—*see 628*	
308	Johnson & Johnson	12
309	Johnson Controls, Inc.	9
	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
	Kellwood Company—*see 838*	
319	Kerr Group, Inc.	12
320	Kerr-McGee Corporation	12
321	Kevlin Corporation	5
322	Keystone Consolidated Industries, Inc.	12
324	Kimberly-Clark Corporation	12
	Kmart Corporation—*see 314*	
326	Knape & Vogt Manufacturing Company	6
327	Knight-Ridder, Inc.	12
329	The Kroger Co.	12
330	Kuhlman Corporation	12
	LADD Furniture, Inc.—*see 755*	
331	The LTV Corporation	12
332	LaBarge, Inc.	6
333	Laclede Steel Company	12
	Lafarge Corporation—*see 678*	
	The Lamson & Sessions Co.—*see 713*	
336	Lee Enterprises, Incorporated	9
337	Leggett & Platt, Incorporated	12
338	*TRINOVA Corporation*	12
339	Eli Lilly and Company	12
340	Litton Industries, Inc.	7
341	Lockheed Martin Corporation	12
	Loctite Corporation—*see 756*	
342	Lone Star Industries, Inc.	12
	Loral Corporation—*see 630*	
343	The Louisiana Land and Exploration Company	12
	Louisiana-Pacific Corporation—*see 824*	
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 International, Inc.	12
360	Masco Corporation	12
361	Mattel, Inc.	12
	Maxtor Corporation—*see 809*	
	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*	
	Microsoft Corporation—*see 825*	
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
390	Murphy Oil Corporation	12
	NACCO Industries, Inc.—*see 403*	
	NIKE, Inc.—*see 401*	
	Nalco Chemical Company—*see 803*	
	Nashua Corporation—*see 761*	
396	*FoxMeyer Corporation*	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 Grumman Corporation	12
	Northwestern Steel and Wire Company—*see 826*	
	Novell, Inc.—*see 839*	
	Nucor Corporation—*see 633*	
407	Oak Industries Inc.	12
408	Occidental Petroleum Corporation	12
409	Ogden Corporation	12
411	Olin Corporation	12
	Omnicom Group inc.—*see 682*	
	Optical Coating Laboratory, Inc.—*see 683*	
412	Orion Pictures Corporation	2
	Oryx Energy Company—*see 788*	
413	O'Sullivan Corporation	12
414	Outboard Marine Corporation	9
415	Owens-Corning Fiberglas Corporation	12
416	Owens-Illinois, Inc.	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
424	Parker Hannifin Corporation	6
	Peerless Mfg. Co.—*see 790*	
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	6
	Pet Incorporated—*see 827*	
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

Co. No.		*Month in which fiscal year ends
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 Inc.	10
448	Pratt & Lambert United, Inc.	12
	Praxair, Inc.—*see 828*	
	Premark international, Inc.—*see 635*	
450	Premier Industrial Corporation	5
451	The Procter & Gamble Company	6
	The Promus Companies Incorporated—see 829	
453	The Quaker Oats Company	6
454	Quaker State Corporation	12
455	Quanex Corporation	10
458	Ralston Purina Company	9
	Rawson-Koenig, Inc.—*see 763*	
	Raychem Corporation—*see 638*	
460	Raytech Corporation	12
461	Raytheon Company	12
	The Reader's Digest Association, Inc.— *see 792*	
	Reflectone, inc.—*see 830*	
	Republic Gypsum Company—*see 718*	
466	Reynolds Metals Company	12
	Rhone-Poulenc Rorer Inc.—*see 641*	
	Robbins & Myers, Inc.—*see 764*	
469	Rockwell International Corporation	9
470	Rohm and Haas Company	12
	Rohr, Inc.—*see 640*	
471	Rowe Furniture Corporation	11
472	Rubbermaid Incorporated	12
	Ruddick Corporation—*see 811*	
	Russell Corporation—*see 832*	
	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*	
	SUPERVALU Inc.—*see 522*	
478	Safeway Inc.	12
479	Sara Lee Corporation	6
480	Savannah Foods & Industries, Inc.	9
481	Schering-Plough Corporation	12
482	Schlumberger Limited	12
	Scientific Industries, Inc.—*see 765*	
484	Scope Industries	6
485	Scott Paper Company	12
	The Scotts Company—*see 833*	
	Seagate Technology—*see 687*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
	Simpson Industries, Inc.—*see 689*	
494	A.O. Smith Corporation	12
	Smithfield Foods, Inc.—*see 690*	
496	Snap-on Incorporated	12
	Sonoco Products Company—*see 691*	
	Southdown, Inc.—*see 766*	
	Span-America Medical Systems, Inc. — *see 834*	
498	Sparton Corporation	6
499	Spectrum Control, Inc.	11
	Speizman Industries, Inc.—*see 721*	
502	Springs Industries, Inc.	12
	Standard Commercial Corporation— *see 812*	
507	Standard Motor Products, Inc.	12
	The Standard Products Company—*see 722*	
509	The Standard Register Company	12
	Standex International Corporation— *see 767*	
510	Stanhome Inc.	12
511	The Stanley Works	12
512	The L. S. Starrett Company	6
	Steel Technologies Inc.—*see 723*	
	Stewart & Stevenson Services, Inc.— *see 768*	
517	Stone Container Corporation	12
	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	*SUPERVALU Inc.*	2
	The TJX Companies, Inc.—*see 770*	
	TRINOVA Corporation—*see 338*	
526	TRW Inc.	12
527	Talley Industries, Inc.	12
	Tandem Computers Incorporated—*see 692*	
528	Tandy Corporation	12
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
	Terra Industries Inc.—*see 676*	
535	Tesoro Petroleum Corporation	12

Co. No.		*Month in which fiscal year ends
536	Texaco Inc.	12
	Texas Industries, Inc.—*see 725*	
537	Texas Instruments Incorporated	12
538	Textron Inc.	12
	Thermo Electron Corporation—*see 813*	
	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 International Ltd.—*see 773*	
549	Tyler Corporation	12
550	Tyson Foods, Inc.	9
551	UNC Incorporated	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
	Universal Foods Corporation—*see 814*	
568	Unocal Corporation	12
569	The Upjohn Company	12
570	VF Corporation	12
	Valero Energy Corporation—*see 647*	
571	Varian Associates, Inc.	9
	Varity Corporation—*see 815*	
	Vishay Intertechnology, Inc.—*see 731*	
573	Vulcan Materials Company	12
	WHX Corporation—*see 587*	
	WMX Technologies, Inc.—*see 580*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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	*WMX Technologies, Inc.*	12
581	Wausau Paper Mills Company	8
	Waxman Industries, Inc.—*see 732*	
	Weirton Steel Corporation—*see 835*	
	Western Digital Corporation—*see 733*	
583	Westinghouse Electric Corporation	12
	WestPoint Stevens Inc.—*see 840*	
584	Westvaco Corporation	10
586	Weyerhaeuser Company	12
587	*WHX Corporation.*	12
588	Whirlpool Corporation	12
	Whitman Corporation—*see 288*	
589	Whittaker Corporation	10
590	Willamette Industries, 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
616	*E-Systems, Inc.*	12
617	*Ecolab Inc.*	12
618	*Federal Paper Board Company, Inc.*	12
619	*Fieldcrest Cannon, Inc.*	12
621	*H.B. Fuller Company*	11
623	*Hasbro, Inc.*	12
624	*Hillenbrand Industries, Inc.*	11
625	*Illinois Tool Works Inc.*	12
627	*International Flavors & Fragrances Inc.*	12
628	*Jefferson Smurfit Corporation*	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, Inc.*	7
641	*Rhone-Poulenc Rorer Inc.*	12
642	*SPX Corporation*	12
643	*Shaw Industries, Inc.*	12
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 Metals Incorporated.*	12
652	*Advanced Micro Devices, 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 Amax 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	*Terra Industries Inc.*	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
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
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.*	12
742	*Coherent, Inc.*	9
743	*Dep Corporation*	7
744	*Donaldson Company, Inc.*	7
745	*Doskocil Companies Incorporated*	12
746	*ERLY Industries Inc.*	3
747	*Federal Screw Works*	6
748	*Georgia Gulf Corporation*	12
749	*Guardsman Products, Inc.*	12
751	*IBP, inc.*	12
752	*IMC Fertilizer Group, Inc.*	6
753	*Interface, Inc.*	12
754	*Jacobs Engineering Group Inc.*	9
755	*LADD Furniture, Inc.*	12
756	*Loctite Corporation*	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 International Ltd.*	6
775	*Zurn Industries, Inc.*	3

COMPANIES ADDED FOR 1991 EDITION

Co. No.		*Month in which fiscal year ends
776	*Allegheny Ludlum Corporation*	12
777	*Alliant Techsystems Inc.*	3
778	*Baldor Electric Company*	12
781	*Customedix Corporation.*	6
782	*Dibrell Brothers, Incorporated*	6
783	*First Brands Corporation*	6
785	*Imo Industries Inc.*	12
786	*Johnston Industries, Inc.*	6
787	*Micron Technology, Inc.*	8
788	*Oryx Energy Company*	12
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
801	*Intergraph Corporation*	12
803	*Nalco Chemical Company*	12
804	*Storage Technology Corporation*	12
805	*Thiokol Corporation*	6

COMPANIES ADDED FOR 1993 EDITION

Co. No.		*Month in which fiscal year ends
806	*Banta Corporation*	12
808	*Homedco Group, Inc.*	9
809	*Maxtor Corporation*	3
811	*Ruddick Corporation*	9
812	*Standard Commercial Corporation*	3
813	*Thermo Electron Corporation*	12
814	*Universal Foods Corporation*	9
815	*Varity Corporation*	1

COMPANIES ADDED FOR 1994 EDITION

Co. No.		*Month in which fiscal year ends
816	*AST Research, Inc.*	6
817	*Alumax Inc.*	12
818	*Burlington Industries, Inc.*	9
819	*Central Sprinkler Corporation*	10
821	*Detroit Diesel Corporation*	12
822	*Enviroq Corporation*	3
823	*Furon Company*	1
824	*Louisiana-Pacific Corporation*	12
825	*Microsoft Corporation*	6
826	*Northwestern Steel and Wire Company*	7
827	*Pet Incorporated*	6
828	*Praxair, Inc.*	12
829	*The Promus Companies Incorporated*	12
830	*Reflectone, Inc.*	12
832	*Russell Corporation*	12
833	*The Scotts Company*	9
834	*Span-America Medical Systems, Inc.*	9
835	*Weirton Steel Corporation*	12

COMPANIES ADDED FOR 1995 EDITION

Co. No.		*Month in which fiscal year ends
836	*Centex Corporation*	3
837	*The Interpublic Group of Companies, Inc.*	12
838	*Kellwood Company*	4
839	*Novell, Inc.*	10
840	*WestPoint Stevens Inc.*	12

Companies Included in Forty-Eighth Edition Not Included in this Edition of the Survey

Co. No.	Company
32	American Cyanamid Company
196	Emerson Radio Corp.
244	Gerber Products Company
258	Grumman Corporation
300	IMCERA Group Inc.
359	Martin Marietta Corporation
525	Syntex Corporation
807	General Cable Corporation
810	Neutrogena Corporation
820	Collins & Aikman Group, Inc.
831	Reliance Electric Company

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