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ACCOUNTING TRENDS & TECHNIQUES
1996—FIFTIETH EDITION
AICPA

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1996
FIFTIETH EDITION

ACCOUNTING TRENDS & TECHNIQUES

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1996
FIFTIETH EDITION

ACCOUNTING TRENDS & TECHNIQUES

Fiftieth 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 3, 1996.

Edited by
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Director, Auditing & Accounting Publications
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Coordinator–Editor

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PREFACE

Accounting Trends & Techniques—1996, Fiftieth 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 24, 1995 and February 3, 1996.

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. 340 of the companies were listed in the fortieth (1986) edition and each retained the number assigned in that edition. The other 260 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 860 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.

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

	1995	1994
Advertising	2	2
Aerospace	19	20
Apparel, shoes	17	17
Beverages	6	6
Building materials, glass	15	14
Chemicals	33	34
Computer and data services	8	5
Computers, office equipment	22	24
Electronics, electrical equipment	54	55
Engineering, construction	6	6
Entertainment	3	5
Food	38	39
Forest and paper products	27	30
Furniture	8	7
Hotels, casinos	3	3
Industrial and farm equipment	43	44
Metal products	23	23
Metals	24	24
Mining, crude oil production	12	13
Motor vehicles and parts	26	25
Petroleum refining	23	23
Pharmaceuticals	13	13
Publishing, printing	20	20
Retailing-grocery stores	10	10
Retailing-other stores	18	17
Rubber and plastic products	12	11
Scientific, photographic, and control equipment	36	34
Soaps, cosmetics	8	8
Textiles	13	13
Tobacco	7	6
Transportation equipment	4	4
Waste management	3	3
Wholesalers	17	16
Not otherwise classified	27	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

	1995	1994	1993	1992
Less than $100,000,000	32	38	42	44
Between $100,000,000 and $500,000,000	101	101	100	106
Between $500,000,000 and $1,000,000,000	68	77	77	80
Between $1,000,000,000 and $2,000,000,000	114	116	130	120
More than $2,000,000,000	285	268	251	250
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 17-26.

Quarterly Financial Data

ACME METALS INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarterly Results (Unaudited)

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1995				
Net Sales	$131,548	$136,171	$122,211	$131,689
Gross profit	23,132	25,140	17,911	18,265
Net income	8,046	8,781	5,256	6,163
Net income per share	0.69	0.75	0.45	0.53

1994				
Net Sales	$123,500	$132,863	$123,142	$143,315
Gross profit	13,519	19,617	18,141	25,011
Net income (loss)	3,598	6,856	(1,019)	7,536
Net income (loss) per share	0.64	1.20	(0.12)	0.65
Income before extraordinary item			768	
Income per share before extraordinary item			0.09	
1993				
Net sales	$107,863	$117,169	$111,919	$120,455
Gross profit	7,518	11,670	9,206	16,829
Net income	114	2,056	115	3,974
Net income per share	0.02	0.38	0.02	0.73

The first quarter of 1995 includes a $1.6 million gain on the sale of the Company's interest in the LAS Virginia Properties.

The third quarter of 1994 includes a $9.5 million nonrecurring charge to address the impairment of existing steel making facilities and contractual employee costs related to construction and commissioning of the Modernization and Expansion Project. In addition, the third quarter also includes a $1.8 million extraordinary expense item resulting from prepayment of previously existing senior notes.

The fourth quarter of 1993 includes a $1.2 million benefit related to Acme's investment in Wabush Mines, a $1.3 million expense to write-off the Steel Subsidiary's No. 3 Hot Strip Mill and Billet Mill and $0.6 million of expense associated with the closure of the Packaging subsidiary's Pittsburgh-East facility in California and the write-off of a strapping line at the Packaging subsidiary's New Britain, Connecticut facility.

BELDING HEMINWAY COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Quarterly Results of Operations: (Unaudited)

Quarter Ended	*Dec. 31, 1995*	*Sept. 30, 1995*	*June 30, 1995*	*March 31, 1995*
Net sales	$22,885	$20,612	$21,844	$23,313
Cost of sales	18,418	15,212	15,970	16,305
Gross margin	4,467	5,400	5,874	7,008
Income (loss) from continuing operations	(23,749)	151	166	597
Income (loss) from discontinued operations	(18,377)	(49)	128	298
Income (loss) applicable to common stock	(42,126)	102	294	895
Income (loss) per common share:				
Continuing operations	(3.21)	.02	.02	.08
Discontinued operations	(2.48)	(.01)	.02	.04
Total	(5.69)	.01	.04	.12

Quarter Ended	*Dec. 31, 1994*	*Sept. 30, 1994*	*June 30, 1994*	*March 31, 1994*
Net sales	$21,287	$20,356	$17,622	$17,502
Cost of sales	16,704	14,337	11,337	11,665
Gross margin	4,583	6,019	6,285	5,837
Income (loss) from continuing operations	(581)	(17)	297	(14)
Income (loss) from discontinued operations	730	315	288	164
Gain on preferred stock redemption	4,099	—	—	—
Income applicable to common stock	4,248	298	585	150
Income (loss) per common share:				
Operating income	(.10)	—	.06	—
Gain on preferred stock redemption	.71	—	—	—
	.61	—	.06	—
Discontinued operations	.12	.06	.05	.03
Total	.73	.06	.11	.03

Seasonality

Although there is no pronounced seasonality in demand for the Company's products, typically the second quarter is the Company's best in terms of profitability. In the third quarter, plants are closed for the first week of July for normal maintenance. All but one plant generally close for a week between Christmas and the New Year during the fourth quarter. Results can also be adversely affected by regional weather, as they were in 1994 at Thread's Northeast facilities.

1995

Results for the fourth quarter of 1995 were negatively impacted by the $6.4 million impairment charge, the $17.4 million goodwill write off, the $1.2 million of other related charges and the $18.4 million loss from discontinued operations. In addition, during each quarter of 1995, the Thread division experienced higher than historical levels of manufacturing inefficiencies due to higher raw material costs, the effects of the consolidation and relocation of facilities that occurred in 1994 and implementation issues related to the new management information system. Results of operations for 1995 also include the effects of the acquisition of Culver Textile Company, Inc. as of August 31, 1995.

1994

Results for each of the quarters in 1994 were affected by unusual or nonrecurring events. Poor winter weather reduced production and shipments at the Company's Connecticut facilities which reduced first quarter results.

The button division had completed the closing of its Carlstadt and Kansas City facilities by the end of the first quarter, thereby reducing costs in the second, third and fourth quarters.

Danfield was acquired on June 30, 1994 and contributed sales of $4.5 million in each of the third and fourth quarters. Danfield contributed $2 million and $.8 million to income before interest and taxes in the third and fourth quarters, respectively.

A number of changes in the Thread division adversely affected results in the third and fourth quarters. The division experienced delays in production and ability to ship to customers due to implementation of a new management information system; transfer of production from its Putnam, Connecticut facility (now closed) to other Company facilities; closing of the Atlanta warehouse, and the relocation of the customer service department from Atlanta to Hendersonville. The division experienced higher raw material and freight costs as well as greater manufacturing inefficiencies during this period. These expenses were particularly pronounced in the fourth quarter.

Earnings per share for the year 1994 does not equal the sum of the 1994 quarterly earnings per share because of the preferred stock conversion on December 15, 1994 and the resultant effect on fourth quarter weighted average common shares outstanding.

MAYTAG CORPORATION (DEC)

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 1995 and 1994.

In thousands except per share data	Dec. 31	Sept. 30	June 30	March 31
1995				
Net sales	$689,541	$726,371	$803,479	$820,133
Gross profit	179,721	187,630	200,333	221,224
Income (loss) before extraordinary item	16,616	30,003	(101,146)	39,531
Per average share	0.16	0.28	(0.95)	0.37
Net income (loss)	16,616	27,946	(104,569)	39,531
Per average share	$ 0.16	$ 0.26	$ (0.98)	$ 0.37
1994				
Net sales	$862,635	$848,930	$870,385	$790,565
Gross profit	211,774	230,570	229,616	204,490
Income before cumulative effect of accounting change	17,967	61,030	41,141	30,999
Per average share	0.17	0.57	0.39	0.29
Net income	17,967	61,030	41,141	27,809
Per average share	$ 0.17	$ 0.57	$ 0.39	$ 0.26

In the second quarter of 1995, the Company sold its home appliance operations in Europe. In the fourth quarter of 1994, the Company sold its home appliance operations in Australia and New Zealand. See Industry Segment and Geographic Information for financial information related to these businesses.

The quarter ended June 30, 1995 includes a $135.4 million after-tax loss on the sale of the Company's home appliance operations in Europe. The quarter ended September 30, 1995 includes a $9.9 million after-tax charge to settle a lawsuit relating to the closing of the former Dixie-Narco plant in Ranson, West Virginia. The quarter ended December 31, 1995 includes a $10.8 million after-tax loss on guarantee of indebtedness relating to the sale of one of its manufacturing facilities in 1992 and a $3.6 million after-tax loss on the disposal of its Dixie-Narco manufacturing operations in Eastlake, Ohio.

The quarter ended September 30, 1994 includes a $20 million one-time tax benefit associated with the funding of reorganization costs in Europe over the past several years. The quarter ended December 31, 1994 includes a $16.4 million after-tax loss from the sale of the Company's home appliance operations in Australia.

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 include activity for four months. The effect of this change increased net sales by $25.2 million in the fourth quarter and the impact on gross profit and net income was not significant.

Selected Information For Five Years

CHIQUITA BRANDS INTERNATIONAL, INC. (DEC)

SELECTED FINANCIAL DATA

(In thousands, except per share amounts)	1995	1994	1993	1992	1991
FINANCIAL CONDITION					
Working capital	$ 366,893	$ 230,434	$ 266,793	$ 482,338	$ 960,093
Capital expenditures	64,640	136,981	196,554	472,273	395,641
Total assets	2,623,533	2,774,239	2,722,824	2,873,699	2,937,344
Capitalization					
Short-term debt	172,333	221,051	192,207	229,286	187,821
Long-term debt	1,242,046	1,364,836	1,438,378	1,411,319	1,202,839
Shareholders' equity	672,207	644,809	584,069	667,962	967,925
OPERATIONS					
Net sales	$2,565,992	$2,505,826	$2,532,925	$2,723,250	$2,604,128
Operating income (loss)*	175,770	71,185	103,848	(96,588)	197,818
Income (loss) from continuing operations	27,969	(84,311)	(51,081)	(221,708)	110,909
Discontinued operations	(11,197)	35,611	—	(62,332)	17,586
Income (loss) before extraordinary item	16,772	(48,700)	(51,081)	(284,040)	128,495
Net income (loss)*	9,212	(71,540)	(51,081)	(284,040)	128,495
SHARE DATA					
Average number of common shares outstanding	53,670	52,033	51,427	51,804	50,382
Earnings (loss) per common share:					
Primary–Continuing operations	$.37	$(1.76)	$(.99)	$(4.28)	$2.20
–Discontinued operations	(.21)	.69	—	(1.20)	.35
–Extraordinary item	(.14)	(.44)	—	—	—
–Net income (loss)	.02	(1.51)	(.99)	(5.48)	2.55
Fully diluted-Continuing operations	.37	(1.76)	(.99)	(4.28)	2.19
–Discontinued operations	(.21)	.69	—	(1.20)	.33
–Extraordinary item	(.14)	(.44)	—	—	—
–Net income (loss)	.02	(1.51)	(.99)	(5.48)	2.52
Dividends per common share	.20	.20	.44	.66	.55
Market price per common share:					
High	18.00	19.25	17.50	40.13	50.63
Low	12.25	11.25	10.13	15.75	29.63
End of year	13.75	13.63	11.50	17.25	40.00

*See "Management's Analysis of Operations and Financial Condition" and Notes to Consolidated Financial Statements for a discussion of significant items included in operating income in 1995, 1994 and 1993.

KELLWOOD COMPANY (APR)

SUPPLEMENTAL SELECTED FINANCIAL DATA

(Dollars in thousands except per share data)	1995	1994	1993	1992	1991
Net sales	$1,364,766	$1,203,086	$1,077,655	$914,926	$807,953
Net earnings	11,096	35,614	28,694	22,837	12,447
Earnings per share:					
Primary	.53	1.71	1.39	1.26	.70
Fully diluted	.52	1.68	1.36	1.23	.69
Cash dividends declared per share	.60	.55	.53	.53	.53
Working capital	236,922	262,406	197,518	218,931	177,940
Total assets	768,137	641,857	636,455	537,992	484,312
Long-term debt	144,793	153,014	102,923	110,566	120,009
Total debt	277,336	170,940	203,808	126,589	149,618
Shareowners' equity	308,197	306,956	279,860	260,033	200,223
Equity per share	14.59	14.64	13.51	12.66	11.31

NOTE: All per share data have been adjusted to reflect stock splits.

SEQUA CORPORATION

SELECTED FINANCIAL DATA

(Amounts in millions, except per share) *Year ended December 31,*	1995	1994	1993	1992	1991
Summary of operations					
Continuing operations:					
Sales	$1,414.1	$1,419.6	$1,697.0	$1,868.3	$1,878.8
Operating income	67.9	39.8	15.7	124.6	117.7
Income (loss) from continuing operations	8.8	(24.7)	(55.5)	17.9	15.0
Loss from discontinued operations	—	—	—	(21.7)	(21.6)
Extraordinary loss	—	(1.1)	(8.5)	—	—
Cumulative effect of accounting change	—	—	—	(7.3)	—
Net income (loss)	8.8	(25.8)	(64.0)	(11.1)	(6.6)
Earnings (loss) per share of common stock					
Continuing operations	$ .57	$ (2.87)	$ (6.07)	$ 1.53	$ 1.24
Discontinued operations	—	—	—	(2.26)	(2.26)
Extraordinary loss	—	(.11)	(.88)	—	—
Cumulative effect of accounting change	—	—	—	(.76)	—
Net income (loss)	.57	(2.98)	(6.95)	(1.49)	(1.02)
Cash dividends declared					
Preferred	$ 5.00	$ 7.50*	$ 2.50	$ 5.00	$ 5.00
Class A common	—	—	.30	.60	.60
Class B common	—	—	.25	.50	.50
Financial position					
Current assets	$ 621.2	$ 604.3	$ 661.6	$ 679.2	$ 778.5
Total assets	1,622.0	1,648.2	1,803.5	1,912.5	2,108.3
Current liabilities	324.7	321.3	376.5	350.1	383.2
Long-term debt	563.2	586.6	624.1	690.0	825.5
Shareholders' equity	576.6	566.5	575.8	651.7	696.6

**Includes $2.50 of dividends in arrears for the third and fourth quarters of 1993.*

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

BALDOR ELECTRIC COMPANY (DEC)

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

Results of Operations

Summary

In 1995, Baldor posted its fourth consecutive yearly record sales and earnings performance. A 13.1% sales increase was leveraged into a 22.6% earnings increase. Baldor believes its inventory availability, improved productivity, reduced manufacturing costs, and aggressive new product introductions are important competitive advantages which are helping to expand market share and provide better value to its customers and shareholders.

Net Sales

Baldor serves many industries by selling to a broad base of distributors and OEMs both domestically and in more than 55 countries. No single customer accounted for more than 3.0% of 1995 sales. Sales of $473.1 million in 1995 were up 13.1% over 1994 sales of $418.2 million. Sales in 1993 were $356.6 million.

The increase in 1995 sales over 1994 sales was about evenly split between improved processing, increased volumes and product mix shifts. Energy-efficiency remains important to our industry. Sales of drives grew at more than double the 1995 overall sales growth rate and sales of Super-E® premium-efficient motors also continued strong. Overall, sales of new products introduced in the past five years accounted for over 25% of 1995 sales. In 1995, distributor sales increased approximately 14% over 1994 levels and OEM sales increased approximately 17% over 1994 levels.

The 1994 sales increase of 17.3% over 1993 sales was due in part to the sales of new products, including drives products and Super-E® premium-efficient motors, both of which grew significantly faster than the overall sales growth rate. Price improvement averaged just over 2% in 1994.

Net Earnings

Net earnings of $32.3 million in 1995 exceeded 1994 net earnings of $26.4 million by $5.9 million or 22.6%. Net earnings in 1993 were $19.4 million.

The gross margin percentage increased to 29.3% in 1995 from 28.9% in 1994 and 28.3% in 1993. The gross margin percentages in 1995 and 1994 improved due to increased volumes, continued productivity improvements, and better teamwork throughout the organization in both years. Increases in raw material prices were offset by increases in selling prices in both years.

Selling and administrative costs as a percentage of sales improved to 16.9% in 1995, from 17.3% in 1994, and 18.2% in 1993. As the results of a continued emphasis on productivity improvements, Baldor has managed to achieve increases in sales without significant increases in support costs in these areas.

The 1995 pre-tax margin of 11.2% showed good improvement over the 1994 pre-tax margin of 10.3% and the 1994 pre-tax margin of 9.1%. This improvement was due to the increased volumes, improved pricing, and continued emphasis on productivity and cost improvements.

International Operations

Sales from international operations (foreign affiliates and exports) were $66.0 million in 1995, up 20.9% from 1994 sales of $54.6 million. Sales in 1993 from international operations were $47.6 million. International sales were particularly strong in Europe for both 1995 and 1994. Foreign pre-tax earnings for 1995 decreased to $1.2 million from $1.7 million in 1994 due mainly to the decline in the Mexican peso. Foreign pre-tax earnings were $1.6 million in 1993.

Impact of Inflation

Inflation had a nominal impact on operations during the last three years. Pressures on margins due to increases in raw material prices were offset through increases in selling prices over the last three years. Other increases in operating costs were consistent with the general inflation rate, and were more than offset by productivity improvements.

Baldor values its inventory principally on the LIFO basis, which more closely matches current costs with current revenues and has resulted in a more conservative valuation of inventory over time. Almost half of Baldor's machinery and equipment has been acquired during the last 5 years; thus depreciation expense approximates the effect of current costs.

Environment Remediation

Management believes, based on their internal reviews and other factors, that the future costs relating to environmental remediation and compliance will not have a material effect on the capital expenditures, earnings, or competitive position of the Company.

Financial Position

Summary
Baldor improved its already strong financial condition in 1995. The Company's high liquidity and low debt ratios provide a strong base for better serving its customers, financing growth opportunities, and maintaining flexibility.

During 1995, Baldor continued to invest in its future by expanding research and development for new and existing products, by continuing capital investments for capacity, productivity and cost improvements, and by making additional investments in its employees and customers through education and training. Based on the Company's strong financial condition, 1995 saw a three-for-two stock split and an increase in the dividend rate.

Investments
In 1995, Baldor invested $23.1 million in property, plant and equipment. Capital investments were made to improve product quality, increase productivity, lower manufacturing costs, increase capacity, and support new products.

Investments in property, plant and equipment for 1996 should be approximately the same as 1995. This includes a new plant in Clarksville, Arkansas, to house gear production and an expansion of the finished goods warehouse in Fort Smith. Baldor's cash flow and financial strength are expected to be adequate to fund these anticipated future investments.

In 1995, Baldor also increased its investments in research and development to $17.2 million from $14.8 million in 1994 and $12.9 million in 1993. Baldor's commitment to research and development continues to help it maintain a leadership position in the marketplace and to satisfy its customers' needs.

Current Liquidity
Cash flow from operations continues to provide the principal source of the Company's liquidity. Due mainly to increased finished good levels, 1995 cash flow from operating activities decreased to $24.2 million from $31.9 million in 1994. Working capital was $145.1 million at the end of 1995 compared to $118.6 at the end of 1994. The current ratio increased to 3.2 compared to 2.9 at the end of 1994. Baldor also has available lines of credit of $30 million to support operations. There were no borrowings under these lines at the end of 1995 or 1994.

Long-Term Debt and Shareholders' Equity
Long-term obligations were 10.7% of total capitalization at the end of 1995 compared to 12.5% at the end of 1994. The 1995 weighted average interest rate on long-term debt was 6.5%. Shareholders' equity continues to increase and at December 30, 1995 was at a record level for Baldor. This strong capital base gives the Company an excellent opportunity to finance expansion opportunities as they arise. Return on average shareholders' equity increased to 16.3% for 1995 from 15.3% in 1994. In the third quarter of 1995, there was a three-for-two stock split effected in the form of a 50% stock dividend. All per share amounts have been restated to reflect this split. The cash dividend was also increased 12.5% during 1995. This is in addition to the 20.0% increase during 1994.

Subsequent to year end, on February 16, 1996, Baldor purchased 2,000,000 shares of its common stock from the Estate of Mr. G. A. Schock for $19.00 per share. This purchase was at a discount to the market and was funded with a mid-term bank loan.

BRENCO, INCORPORATED (DEC)

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

Results of Operations

(1995 compared with 1994)
Net sales in 1995 increased 8% over sales in 1994, to $127,139,000, a new record for the Company. Railroad products and services were up 10%, to $107,213,000 which accounted for the majority of the increase. Export sales of railroad products, which were at record levels, were $22,814,000, an increase of 30% over 1994. Sales for Quality Bearing Service (QBS), our reconditioning subsidiary, were up 14%. Revenues of Rail Link, our rail switching subsidiary, increased 15% as two new switching locations were added in 1995.

Operating income was up 12% in 1995 to $16,963,000, compared to $15,170,000 in 1994. The increase in operating income in 1995 was the result of higher sales volumes as well as some improved pricing for railroad products and services. Cost of goods sold was 75% of net sales in 1995, the same as 1994, as price increases and efficiencies of volume increases were offset by increased costs of materials and labor.

(1994 compared with 1993)
Net sales in 1994 increased 19% over sales in 1993, to $117,897,000. Railroad products and services were up 22%, to $97,666,000 which accounted for the major portion of the increase. Sales for Quality Bearing Service were up 30% as we continued to enjoy substantial market share. The revenues of Rail Link were up 8%, with the addition of three switching locations.

Operating income was up 63% in 1994 to $15,170,000, compared to $9,311,000 in 1993. The increase in operating income in 1994 was primarily the result of higher sales volumes and improved margins in railroad products and services. In 1994 a special charge to earnings was made in the amount of $1,490,000, representing anticipated environmental remediation expenditures to complete the cleanup of a former foundry site that has been inactive since 1979. In addition, during the first quarter, there was a gain on the sale of surplus equipment in the amount of $1,056,000. Net income for 1994 was $8,802,000 or $.88 per share, an increase of 108% over 1993.

Liquidity And Capital Commitments

Cash and cash equivalents were $10,484,000 at December 31, 1995, compared to $6,650,000 at the end of 1994, an increase of $3,834,000.

Capital expenditures totaled $6,413,000 in 1995, compared to $5,871,000 in 1994 and $8,815,000 in 1993. Capital expenditures in 1996 are expected to increase to $10,152,000, which includes $474,000 of carryovers from prior years plus $9,678,000 in new projects approved for 1996. Process improvements ($4,480,000) and new business ($1,698,000) account for 61% of the new projects budgeted for 1996.

In 1995 our investment in inventories increased by $1,863,000, to $15,966,000. Inventory turnover for 1995 was 5.8 as compared to 5.7 for 1994.

The ratio of current assets to current liabilities was 5.87 at December 31, 1995, as compared to 5.57 at the end of 1994. The total amount of working capital increased by $6,642,000 to $41,080,000 at the end of 1995. This compares to $34,438,000 at the end of the prior year. Cash and short-term investments account for 58% of the increase.

The Company has a $5,000,000 revolving line of credit. This line was not used during 1995. Management believes that its cash balances and cash flows from operations in the coming year will be adequate to cover its capital needs and dividend payments for 1996.

Outlook

The Company expects that domestic railcar construction will be down by approximately 25% in 1996. The Company believes that it should be able to offset much of this anticipated decline in sales by increased export sales and continued growth in its other lines of business, but expects somewhat lower earnings in 1996 than in 1995 as a result of lower margins on export sales and more competitive conditions in the domestic market.

INTEL CORPORATION (DEC)

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

Results of Operations

Intel posted record net revenues in 1995, for the ninth consecutive year, rising by 41% from 1994 to 1995 and by 31% from 1993 to 1994. Higher volumes of the rapidly ramping Pentium® microprocessor family, partially offset by lower prices, and increased sales of related board-level products were responsible for most of the growth in revenues in 1994 and 1995. Revenues from the Intel486 microprocessor family declined substantially in 1995 due to a shift in market demand toward the Company's Pentium microprocessors and lower Intel486 microprocessor prices.

Higher volumes of flash memory and chipset products also contributed toward the increase in revenues from 1993 to 1995 and also helped enable the successful Pentium microprocessor ramp. Sales of system platforms, embedded control products, and networking and communications products also grew.

Cost of sales increased by 40% from 1994 to 1995 and by 71% from 1993 to 1994. The growth in cost of sales from 1993 to 1995 was driven by Pentium microprocessor and board-level unit volume growth, new factories coming into production, shifts in process and product mix, and in the fourth quarter of 1995, by costs associated with unusually high reserves related to inventories of certain purchased components. Gross margin for the fourth quarter of 1994 included the impact of a $475 million charge, primarily to cost of sales, to cover replacement costs, replacement material and an inventory writedown related to a divide problem in the floating point unit of the Pentium microprocessor. As a result of the above factors, the gross margin percentage was 52% in 1995 and 1994, compared to 63% in 1993.

Quarterly unit shipments of the Pentium microprocessor family surpassed those of the Intel486 microprocessor family during the third quarter of 1995. The Company helped accelerate this transition by offering chipsets and motherboards to enable computer manufacturers to bring their products to market faster. Sales of the Pentium microprocessor family comprised a majority of the Company's revenues and a substantial majority of its gross margin during 1995. During 1995, the Intel486 microprocessor family represented a significant but rapidly declining portion of the Company's revenues and gross margins. The Intel486 microprocessor family comprised a majority of the Company's revenues and a substantial majority of its gross margin during 1993 and 1994.

Research and development spending grew by 17% from 1994 to 1995, as the Company continued to invest in strategic programs, particularly for the internal development of microprocessor products and related manufacturing technology. Increased spending for marketing programs, including media merchandising and the Company's Intel Inside® cooperative advertising program, drove the 27% increase in marketing, general and administrative expenses from 1994 to 1995.

The $28 million decrease in interest expense from 1994 to 1995 was mainly due to lower average borrowing balances in addition to higher interest capitalization resulting from increased facility construction programs. The increase in interest expense from 1993 to 1994 was primarily due to higher average interest rates on borrowings, partially offset by higher interest capitalization.

Interest and other income increased by $142 million from 1994 to 1995, primarily due to higher average interest rates on investments in 1995, gains of $58 million related to the settlement of litigation and gains of $60 million from the sale of a portion of the Company's investment in marketable equity securities. Interest and

other income increased by $85 million from 1993 to 1994, mainly due to higher average interest rates on investments in 1994, gains related to the settlement of various insurance claims in 1994, and higher foreign exchange gains and investment balances in 1994. Interest and other income in 1993 included gains of $27 million from the sale of certain foreign benefits related to a plant expansion in Ireland during 1993.

The Company utilizes investments and corresponding interest rate swaps to preserve principal while enhancing the yield on its investment portfolio without significantly increasing risk, and uses forward contracts, options and swaps to hedge currency, market and interest rate exposures. Gains and losses on these instruments are generally offset by those on the underlying hedged transactions; as a result, there was no material net impact on the Company's financial results during the 1993-1995 period.

The Company's effective income tax rate increased to 36.8% in 1995 compared to 36.5% and 35.0% in 1994 and 1993, respectively. The increases in rate from 1993 to 1995 resulted from the fact that tax credits have not grown as rapidly as overall pretax income.

Financial Condition

The Company's financial condition remains very strong. As of December 30, 1995, total cash and short- and long-term investments totaled $4.11 billion, down from $4.54 billion at December 31, 1994. Cash generated from operating activities rose to $4.03 billion in 1995, compared to $2.98 billion and $2.80 billion in 1994 and 1993, respectively.

Investing activities consumed $2.69 billion in cash during 1995, compared to $2.90 billion during 1994 and $3.34 billion during 1993. Capital expenditures increased substantially in both 1994 and 1995, as the Company continued to invest in the property, plant and equipment needed for future business requirements, including manufacturing capacity. The Company expects to spend approximately $4.1 billion for capital additions in 1996 and had committed approximately $1.47 billion for the construction or purchase of property, plant and equipment as of December 30, 1995.

Inventory levels, particularly raw materials and finished goods, increased significantly in 1995. This increase was primarily attributable to the increased level of business and, to a lesser extent, to an unusually low level of inventory at the end of 1994 because of a writedown of inventories in the fourth quarter of 1994 in connection with the divide problem in the floating point unit of the Pentium processor. The increase in accounts receivable in 1995 was mainly due to revenue growth, including the growth of non-domestic sales that have longer payment terms. During 1995, the Company experienced an increase in its concentration of credit risk due to increasing trade receivables from sales to manufacturers of microcomputer systems. The Company's five largest customers accounted for approximately 33% of net revenues for 1995. At December 30, 1995, these customers accounted for approximately 34% of net accounts receivable. A portion of the receivable balance from one of its five largest customers has been converted into a loan. The total amount receivable from this customer was approximately $400 million at December 30, 1995.

The Company used $1.06 billion and $557 million for financing activities in 1995 and 1994, respectively, while $352 million was provided in 1993. The major financing application of cash in 1995 was for stock repurchases totaling $1.03 billion. Financing applications of cash in 1994 included stock repurchases of $658 million and the early retirement of the Company's $8\frac{1}{8}$% debt. Sources of financing in 1993 included the Company's public offering of the 1998 Step-Up Warrants, which resulted in proceeds of $287 million.

As part of its authorized stock repurchase program, the Company had outstanding put warrants at the end of 1995, with the potential obligation to buy back 12 million shares of its Common Stock at an aggregate price of $725 million. The exercise price of these warrants ranges from $38 to $68 per share, with an average exercise price of $60 per share.

Other sources of liquidity include combined credit lines and authorized commercial paper borrowings of $1.86 billion, $57 million of which was outstanding at December 30, 1995. The Company also maintains the ability to issue an aggregate of approximately $1.4 billion in debt, equity and other securities under Securities and Exchange Commission (SEC) shelf registration statements. The Company believes that it has the financial resources needed to meet business requirements in the foreseeable future, including capital expenditures for the recently announced expansion of international manufacturing sites, working capital requirements, the potential put warrant obligation and the dividend program.

Outlook

The statements contained in this Outlook are based on current expectations. These statement are forward looking, and actual results may differ materially.

Intel expects that the total number of personal computers using Intel's Pentium microprocessors and other semiconductor components sold worldwide will continue to grow in 1996. Intel has expanded manufacturing capacity over the last few years and continues to expand capacity to be able to meet the potential increase in demand. Intel's financial results are to a large extent dependent on this market segment. Revenue is also a function of the distribution of microprocessor speed and performance levels, which is difficult to forecast. Because of the large price difference between components for the highest and lowest performance computers, this distribution affects the average price Intel will realize and has a large impact on Intel's revenues.

Intel's strategy has been, and continues to be, to introduce ever higher performance microprocessors and work with the software industry to develop compelling applications that can take advantage of this higher performance, thus driving demand toward the newer products. Capacity has been planned based on the assumed continued success of the Company's strategy. In line with this strategy, the Company has recently announced higher speed members of the Pentium® Pro microprocessor family. If the market demand does not continue to grow and move rapidly toward higher performance products, revenue growth may be impacted, the manufacturing capacity installed might be under-utilized and capital spending may be slowed. The Company may continue to reduce micoprocessor prices aggressively and systematically to bring its technology to market.

The Company's gross margin percentage is a sensitive function of the product mix sold in any period. Because the percentage of motherboards that Intel's customers purchase changes with maturity of the product cycle, and motherboards generally have lower gross margin percentages than microprocessors, Intel's gross margin percentage varies depending on the mix of microprocessors and related motherboards within a product family. Various other factors, including unit volumes and costs and yield issues associated with initiating production at new factories or on new processes, also will continue to affect the amount of cost of sales and the variability of gross margin percentages in future quarters. From time to time the Company may forecast a range of gross margin percentages for the coming quarter. Actual results may differ. Longer term gross margin percentages are even more difficult to predict.

To implement its strategy, Intel continues to build capacity to produce high-performance microprocessors and other products. The Company expects that capital spending will increase to approximately $4.1 billion in 1996. This spending plan is dependent upon delivery times of various machines and construction schedules for new facilities. Based on this forecast, depreciation for 1996 is expected to be approximately $1.9 billion, an increase of approximately $500 million from 1995. Most of this increased depreciation will be included in cost of sales and research and development spending.

The industry in which Intel operates is characterized by very short product life cycles. Intel considers it imperative to maintain a strong research and development program to continue to succeed. Accordingly, research and development spending is expected to grow in 1996 to approximately $1.6 billion. The Company will also continue spending to promote its products and to increase the value of its product brands. Based on current forecasts, spending for marketing and general and administrative expenses is expected to increase in 1996.

The Company expects its tax rate to decrease to 36.5% for 1996. This estimate is based on current tax law and is subject to change.

The Company's future results of operations and the other forward looking statements contained in this Outlook, in particular the statements regarding growth in the personal computer industry, capital spending, depreciation, research and development, and marketing and general and administrative expenses, involve a number of risks and uncertainties. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: business conditions and the general economy; competitive factors, such as rival chip architectures, competing software compatible microprocessors, acceptance of new products and price pressures; availability of third-party component products at reasonable prices; risk of nonpayment of accounts receivable or customer loans; manufacturing ramp and capacity; risks associated with foreign operations; risk of inventory obsolescence due to shifts in market demand; timing of software industry product introductions; and litigation involving intellectual property and consumer issues.

Intel believes that it has the product offerings, facilities, personnel, and competitive and financial resources for continued business success, but future revenues, costs, margins, product mix and profits are all influenced by a number of factors, as discussed above.

JLG INDUSTRIES, INC. (JUL)

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

The information given below is intended to assist in understanding the Company's financial condition and results of operations as reflected in the Consolidated Financial Statements (pages 22 through 24).

The Company is a leading manufacturer, distributor and international marketer of mobile elevating work platforms and truck-mounted material handling equipment used primarily in construction and industrial applications. Sales are made principally to independent equipment distributors that lease the Company's products and provide service support to equipment users. Equipment purchases by end-users, either directly from the Company or through distributors, comprise a significant, but smaller portion of sales.

Demand for the Company's products tends to be cyclical, responding historically to varying levels of construction and industrial activity, principally in the United States and, to a lesser extent, in other industrialized nations. During recessionary conditions, demand for equipment held for rental typically declines more sharply than demand for equipment purchased by end-users. Other factors affecting demand include the availability and cost of financing for equipment purchases and the market availability of used equipment.

Due to the cyclical demand, the Company's financial performance and cash flows tend to fluctuate. However, the Company continually strives to reduce operating costs and increase manufacturing efficiencies. The Company also considers the development and introduction of new and improved products and expansion into undeserved geographic markets to be important factors in maintaining and strengthening its market position and reducing cyclical fluctuations in financial performance and cash flows.

Results of Operations

Net sales reached a new high in 1995, rising by 53% over 1994 and by 43% from 1993 to 1994. The growth in revenues for both years included increased demand across virtually all product classes. Continued strong North American demand for both 1995 and 1994, combined with improvement in the European market in 1995, generated the record sales. Foreign sales as a percent of total sales were 18%, 16% and 26% in 1995, 1994 and 1993, respectively. New products introduced over a two-year period contributed over 24% and 25% to sales in 1995 and 1994, respectively. Management does not believe that any single customer is material to the Company's business on an ongoing basis. The level of sales to a particular customer may vary significantly from year to year. In 1995 and 1994, sales to one customer amounted to 13% and 12% of net sales, respectively. In 1993, no single customer accounted for more than 10% of net sales.

Gross profits, as a percent of sales, was 24% for both 1995 and 1994. Lower manufacturing costs due to continued improvements in manufacturing processes, lower warranty and product liability costs, and higher selling prices offset increased material costs, a less profitable product mix and costs associated with outsourcing additional production as a result of the substantial increase in demand and capacity limitations. Gross profit increased to 24% in 1994 from 23% in 1993, primarily as a result of process cost reductions. This improvement was partially offset by increases in certain overhead expenses, higher personnel costs, changes in product mix and competitive pricing pressures.

Selling, general and administrative expenses were $33.3 million, $27.1 million and $23.3 million, or as a percent of sales, 12%, 15% and 19% for 1995, 1994 and 1993, respectively. The dollar increase for both years included increased advertising, commissions and other personnel related expenses. In addition, research and development spending grew by 27% from 1994 to 1995 and by 29% from 1993 to 1994 as the Company continued to invest in the development of new products. The expenditure increase from 1993 to 1994 also included an increase in the provision for doubtful accounts.

The effective income tax rate increased to 37% in 1995 compared to 35% and 30% in 1994 and 1993, respectively. The effective income tax rate for 1994 reflects the benefit of closing an overseas facility. The rate for 1993 includes a decrease in estimated taxes payable.

Financial Condition

The Company strengthened its financial position during 1995 through increased cash from operations and debt reduction. Cash generated from operating activities increased to $17.9 million in 1995, compared to $11.4 million in both 1994 and 1993. Working capital was $45.4 million and $32.4 million at July 31, 1995 and 1994, respectively. Capital expenditures increased substantially in both 1995 and 1994, as the Company continued to invest in property, plant and equipment needed to support business growth and improve productivity and quality. The ratio of debt to total capital at July 31, 1995, decreased to 4% from 14% at July 31, 1994, principally due to the repayment of debt with cash generated from operations. The increase from 10% at July 31, 1993, to 14% in 1994 was due to borrowed funds to purchase treasury shares.

At July 31, 1995, the Company had unused credit lines totaling $10 million and cash balances of $13 million. The Company considers these resources, coupled with cash expected to be generated by operations, adequate to meet its foreseeable funding needs, including $7 million budgeted for capital expenditures in fiscal 1996. In addition, the Company intends to relocate and expand its scissor lift manufacturing facility in 1996. Acquisition, relocation and refitting costs are estimated to be $9 million payable over twelve months. The Company intends to finance this project with borrowed capital.

The Company's exposure to product liability claims is discussed in the Commitments and Contingencies note to the consolidated financial statements. Future results of operations, financial condition and liquidity may be affected to the extent that the Company's ultimate liability with respect to product liability claims varies from current estimates.

Outlook

Management expects fiscal year 1996 to be another strong year. Consensus economic forecasts predict no domestic recession in the near term, and forecasts for Western Europe and the Pacific Rim nations, except Japan, are generally optimistic. The existing markets for the Company's products, particularly elevating work platforms, continue to grow, although at a somewhat slower rate than a year ago. Rental fleet utilization remains strong in the United States and demand for used equipment exceeds its supply. The Company's backlog remains strong, and new products to be introduced during the third fiscal quarter, together with expanded international distribution, should spur demand. Management has targeted additional manufacturing cost reductions and a slight improvement in gross profit as a percentage of net sales. Capacity constraints and outsourcing requirements, particularly for scissor lift production, will be offsetting factors. This should be alleviated in fiscal 1997 once the new Bedford facility is fully operational. Product mix also affects gross margins and is difficult to forecast. The timing and terms of the proposed divestiture of the

Material Handling Division are uncertain, but Management does not expect this transaction to have a material effect on the Company's results of operations in fiscal 1996.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

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

1995 Compared to 1994

Net sales decreased by $7,898,000 from $128,070,000 to $120,172,000, primarily due to a unit volume decrease.

Gross profit for 1995 decreased $7,885,000 from $50,681,000 to $42,796,000 due to the volume decrease and cost increases stemming from rising cumulative 1994 and 1995 vendor prices without appreciable price relief from the Company's retail customers. The decline was offset in part by the impact of the LIFO adjustment which was less unfavorable in 1995 than in 1994. See footnote C for additional information on the LIFO adjustments. Gross margins as a percentage of sales were 36% versus 40% in 1995 and 1994, respectively.

Selling and general expenses increased $1,178,000 due to increased bad debt write-offs and higher administrative expenses. As a percentage of net sales, selling and general expenses increased from 21% to 23%.

Other income increased from the 1994 level primarily as a result of a higher pre-tax rate of return on the Company's portfolio of short-term marketable securities.

The other, principally litigation settlement, was the result of a non-operational receipt of $2.85 million in damages and interest resulting from the Federal Circuit Court of Appeals decision that Black & Decker infringed Presto's patent on its SaladShooter® electric slicer/shredder. It was offset in part by the cost of retiring a Convertible Debenture.

Earnings before provision for income taxes decreased $5,116,000 from $30,519,000 to $25,403,000. The provision for income taxes decreased from $9,064,000 to $6,434,000, which resulted in an effective income tax rate decrease from 30% to 25%, as a result of decreased earnings subject to tax. Net earnings decreased $2,486,000 from $21,455,000 to $18,969,000, or 12%.

The Company maintains adequate liquidity for all of its anticipated capital requirements and dividend payments. As of year-end 1995, there were no material capital commitments outstanding.

Forward looking statements in this Annual Report are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made above. Investors are cautioned that all forward looking statements involve risk and uncertainty. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: consumer spending and debt levels; interest rates; continuity of relationships with and purchases by major customers; product mix; competitive pressure on sales and pricing, and increase in material or production cost which cannot be recouped in product pricing. Additional information concerning those and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10-K, copies of which are available from the Company without charge.

1994 Compared to 1993

Net sales increased by $9,490,000 from $118,580,000 to $128,070,000, primarily due to new product introductions, offset in part by a decrease in sales from products that were either no longer part of the line or that had matured, and the cessation of revenues from the storage maintenance of government equipment.

Gross profit for 1994 increased $2,775,000 primarily due to the increased volume, offset in part by cost increases stemming from higher commodity prices, costs entailed in storage and handling of carry-over products, and the impact of the LIFO adjustment which was considerably more unfavorable in 1994 than in 1993. See footnote C for additional information on the LIFO adjustments. Gross margins as a percentage of sales were 40% in both periods.

Selling and general expenses decreased $823,000 primarily as a result of decreased selling and advertising expenses. As a percentage of sales, selling and general expenses decreased from 23% to 21%.

Other income increased from the 1993 level primarily as a result of a higher level of invested funds and a higher pre-tax rate of return on the Company's portfolio of short-term marketable securities.

Earnings before provision for income taxes increased $4,357,000 from $26,162,000 to $30,519,000. The provision for income taxes increased from $7,507,000 to $9,064,000, the effective income tax rate increased from 29% to 30%, as a result of increased earnings subject to tax. Net earnings increased $2,800,000 from $18,655,000 to $21,455,000, or 15%.

Prospective Information Excerpts

ADOLPH COORS COMPANY (DEC)

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

Outlook 1996

The Company will report 1996 results based on a 52-week fiscal year versus the 53-week year used in 1995. Additionally, the Company will change its reporting to a 12-period fiscal year from the 13-period fiscal year that was used in 1995 and prior years. The 1996 fiscal year

is composed of four 13-week quarters, compared to prior years, which had three 12-week quarters and one 16-week quarter (the third quarter). The change in quarter length will require restatement of the 1995 quarterly results in order to make the results of 1996 comparable. The change to 13-week quarters creates a fiscal year that is similar to a calendar year and more comparable to the reporting practices of other consumer-product companies.

For the first quarter of 1996, the Company has announced that it expects to report a net loss somewhat greater than the net loss of $0.02 per share posted for the restated first quarter of 1995. Volume and profitability in the first quarter are typically low and generally not indicative of results for the year. The Company continues to believe that 1996 financial performance can improve over 1995.

Following industry pricing trends, the Company raised prices in several key U.S. markets in the fourth quarter of 1995, and price increases have gone into effect in many of the remaining states in the middle of the first quarter of 1996. Although the Company continues to believe that industry prices will more closely track inflation in 1996, it cannot predict the degree to which pricing will be eroded by discounting or the impact that higher prices will have on total volume or consumers trading down to lower-margin products.

Trends early in 1996 indicate that packaging and commodities costs will be stable. While the Company continues to believe that initiatives in its operations and technology areas have the potential to deliver substantial cost reductions over time, significant savings are not likely to be realized before the second half of 1996.

Total interest expense in the first half of the year will be higher than in the same period of 1995 by approximately $2.7 million primarily as a result of the $100 million private debt placement that closed in July 1995.

The increasing efficiencies from the can, end and glass joint ventures should continue to provide income to the Company. Marketing and G&A costs are expected to remain basically unchanged for 1996.

The Company's effective tax rate is expected to remain near the 1995 rate of 41% assuming increased pretax income, decreased non-taxable income items and continued non-deductible items.

In 1996, the Company has planned capital expenditures (including contributions to its container joint ventures for capital improvements) of approximately $100 million compared with capital expenditures that averaged $142.2 million over the previous three years. The decline reflects the completion of several plant acquisition and capacity expansion projects, along with the Company's intention to manage capital expenditures and cash more aggressively through a variety of means, including asset sales, lease financing and joint ventures. In addition to the Company's 1996 planned capital expenditures, incremental strategic investments will be considered on a case-by-case basis.

In connection with its pending legal proceedings with Molson Breweries of Canada Limited, the Company received a cash payment for past due royalties and interest totaling $5.7 million (net of $0.6 million of withholding taxes) during the first quarter of 1996. The obligation of Molson to make this payment will be a subject of the arbitration proceedings that are scheduled to begin in May 1996. The Company expects final resolution of this issue in 1996.

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This report contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statement concerning the Company's outlook for 1996, overall and brand-specific volume trends, pricing trends and forces in the industry, cost reduction strategies and their results, targeted goals for ROI capital, the Company's expectations as to funding its capital expenditures and operations during 1996; and other statements of exceptions, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements.

To improve its financial performance, the Company must grow premium beverage volume, achieve modest price increases for its products and reduce its overall cost structure. The most important factors that could prevent the Company from achieving these goals—and cause actual results to differ materially from those expressed in the forward-looking statement—include, but are not limited to, the following:

- the ability of the Company and its distributors to develop and execute effective marketing and sales strategies for Coors products
- the potential erosion of recent price increases through discounting
- a potential shift in consumer preferences toward lower-priced products in response to price increases
- the intensely competitive, no-growth nature of the beer industry
- demographic trends and social attitudes that can reduce beer sales
- continued rapid growth in the popularity of microbrews and other specialty beers
- changes in the cost of aluminum, paper packaging and other raw materials
- an inability to reduce the Company's manufacturing and overhead cost structure to a more competitive level
- changes in significant government regulations affecting environmental compliance, income taxes and advertising or other marketing efforts for the Company's products

- increases in federal or state beer excise taxes
- changes in rail transportation rates or interruption of rail service
- potential impact of industry consolidation
- risks associated with investments and operations in foreign countries, including those related to foreign regulatory requirements, exchange rate fluctuations and local political, social and economic factors.

These and other risks and uncertainties affecting the Company are discussed in greater detail in this report and in other filings by the Company with the Securities and Exchange Commission.

DOW JONES & COMPANY, INC. (DEC)

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

Outlook

The company expects earnings and operating income to grow moderately in 1996, as continued investments are made in information and news content, television, advanced technology to best utilize different means of information delivery, such as the internet, and development of new products and services at Business Information Services and Dow Jones Telerate. The company's earnings growth, in part, will be dependent on favorable economic conditions both in the United States and overseas, particularly in Europe and Japan. Additionally, the company expects that products introduced in 1995 and to be introduced in 1996—Telerate Workstation, four-color capability in the domestic print publications, European Business News, The Wall Street Journal Interactive Edition—will provide incremental revenue in 1996.

Financial information services segment revenue in 1996 is expected to increase at a rate similar to the annual rates of growth over the past several years. The 1996 revenue growth is again expected to be driven by overseas operations. Revenue growth in U.S. operations will be constricted until sluggish market conditions in the financial services and banking industries improve. Dow Jones Telerate's digital feeds, Telerate Trading Room Systems and the Telerate Workstation are expected to provide most of the revenue increase.

Financial information services segment expenses in 1996 are expected to rise in line with the increase posted in 1995 as continued investments are made in new products, existing services are enhanced, and the breadth and depth of information content is strengthened.

The business publishing segment includes the company's domestic and international Wall Street Journal editions, Barron's magazine, the Business Information Services group, and Dow Jones' television initiatives. Business publishing revenue growth in 1996 is expected from advertising rate increases and from volume gains overseas and at Business Information Services. Advertising rates at The Wall Street Journal and Barron's on average were raised about 5% on January 1, 1996. The overseas editions have raised rates by an average of 8%. Improvement in domestic Journal advertising lineage is largely dependent upon the continuing strength of the U.S. economy and specifically, on the activity in the financial markets. Business publishing expenses in 1996 will be affected by newsprint prices which are proposed to be raised again in 1996, although not to the extent of the sharp price hikes in 1995. On average, newsprint expense is expected to be up about 20% in 1996, largely due to the full-year effect of price increases effective in 1995. However, as in 1995, the impact on consolidated net income should be cushioned by additional equity earnings from the newsprint mill affiliates.

Business Information Services group operating income is expected to improve in 1996 as this group benefits from enhanced content and new product offerings, such as Personal Journal and The Wall Street Journal Interactive Edition. Revenue growth from new services will be partially offset by continued investment in product development at this group.

The community newspapers segment in 1996 sees revenue gains similar to those posted in recent years. The bulk of the revenue increase will results from higher rates. Expenses will be adversely affected by higher newsprint prices; however, with other expenses under control, the company anticipates increased operating earnings in 1996 for this segment.

Union contracts including wage scales for about 20% of the company's full-time employees will be renegotiated in 1996. Historically, the company and its major union have agreed to new contracts without work interruptions.

GTI CORPORATION (DEC)

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

Prospective Information

The Company believes that its future operating results will be influenced by a number of factors including, but not limited to, general economic conditions; the continued growth of the LAN, internetworking and videoconferencing markets; timely new product introductions; dependence on key OEM customers; market acceptance of the new networking technologies, videoconferencing and desktop videoconferencing; the future operating and financial performance of Valor Products and Promptus Products; and numerous competitive forces. It is anticipated that the Company's operating results in the foreseeable future will remain dependent on the success of Valor Products in identifying, developing, manufacturing, and marketing new products or enhancing existing product offerings and Promptus Products ability to expand its customer base; reduce reliance on significant OEM customers; and identify, develop, manufacture, and market new products. The Company is subject to technological

changes, which could cause management to reassess its estimate of the realizability of goodwill and/or its amortization period.

The Company's future operating results will also depend on the growth of broad-band, global services and high-speed, digital, network applications. Promptu's growth will depend on several factors including, but not limited to, the deployment and expansions of switched-digital services and the related market for ISDN customer-premise equipment, the effectiveness 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 Promptus acquisition required significant capital and equity investments as well as investments in the sales, marketing, and product development infrastructure. Since Promptus Product's sales are currently disproportionate with these investments, Promptus is likely to continue to be dilutive to net income in the near term. It will continue to be dilutive unless, and until, Promptus is able to significantly increase sales and profitability.

The majority of Valor Products' sales continue to be derived from products that support Ethernet and 10Base-T applications. Valor Products' operating results could be affected if there is an unexpected change in such technologies or if Valor does not respond appropriately to expected changes. Valor Products are supplying OEMs product compliant with all relevant IEEE, ANSI, and Asynchronous Transfer Mode ("ATM") forum standards for 100Base-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 the Company's ability to manufacture these products in sufficient quantities to meet anticipated demand and the overall market acceptance of these new technologies. The inability of these advanced networking modes to gain market acceptance or potential delays of the widespread installation of such products could subject Valor Products existing products to increased competition and pricing pressures, 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. The Company's backlog at the beginning of any particular quarter is not sufficient to achieve expected sales or profitability for that quarter. To achieve its sales and profitability objectives in a quarter, the Company is dependent upon obtaining substantial orders in that quarter for shipment during that quarter. There can be no assurance that orders from existing customers will continue at the levels of previous years or that the Company will be able to obtain orders from new customers. Additionally, there can be no assurance that orders received and requested for shipment in a specific quarter will not be canceled or the requested date of shipment changed to a subsequent quarter. If anticipated orders do not develop or changes in delivery schedules or cancellation of orders occur, the per-unit manufacturing costs, expenditures, and inventory levels could be disproportionately high in relation to sales. This could have an adverse affect on the Company's operating results for that quarterly period.

There is one key component that Valor Products use in its manufacturing and assembly process that is currently available only from a single source. There can be no assurance that this supplier will be able to meet future demand for components in a timely and cost-effective manner. The Company's operating results and customer relationships could be adversely affected by either price increases or an interruption or reduction in products shipped due to an interruption or reduction in supply of any key components.

The Company's future earnings and stock price have been, and may continue to be, subject to significant volatility, particularly on a quarterly basis. Any shortfall in sales or earnings could have an immediate and significant adverse affect on the trading price of the Company's Common Stock in any given quarterly period.

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

In December 1995, a class-action lawsuit was filed in the United States District Court, Southern District of California, against the Company and certain of its officers and directors alleging violations of the Securities Exchange Act of 1934. Specifically, the complaint asserts, among other claims, that the Company artificially inflated the value of its stock by making false and misleading statements about expected financial results. The plaintiffs seek an unspecified amount of damages based upon the decrease in market value of the Company's stock. The Company has filed its initial response to the complaint and intends to defend this action vigorously. Based upon its present understanding of the facts, the Company believes it has meritorious defenses to the claims alleged. Because the outcome of the claims are uncertain at this time, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements.

HARMON INDUSTRIES, INC. (DEC)

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

1996 Outlook

There is much to be optimistic about for 1996, The Company's core business is solid. It begins the new year with a record backlog of $49.1 million, up $4.5 million from the year earlier backlog of $44.6 million. The shipment delays that accompanied the railroad merger activity in 1995 are largely over, and business is returning to normal. Further, the production and inventory difficulties that surrounded the integration of the acquired hot box detector product line are largely behind the Company, al-

though the hot box detector line's profit margins will be below their targeted levels for the next several months as some high cost inventory remains to be sold off. In addition, customer acceptance of our newer products has been excellent.

Despite the favorable climate for increased business for Harmon, there are some uncertainties to consider as well. Among them are whether the economy will perform as well in 1996, whether government funding for rail transit and grade crossing warnings systems will continue as before—given the mood in the Congress to reduce federal subsidies, whether our R&D departments will continue their output of innovative and very successful products, and what the outcome will be for the environmental matter discussed in Note 10 to the Consolidated Financial Statements.

Further, the railroad industry remains acquisition minded. Mergers typically create short-term problems, particularly with shipment continuity and immediate new business. Long-term, however, mergers often prove beneficial as the surviving entity often consolidates traffic patterns to strengthen its operation, which for Harmon translates into additional orders for signal and control systems.

Finally, we are operating at near-capacity in several areas of our business. Accordingly, we will spend substantial sums of money over the next several years to expand capacity in order to bid on larger contracts and to produce larger and more complex systems. We are addressing these issues by expanding our manufacturing space at several locations and increasing the size of our research and development center to accommodate many additional engineers.

We also intend to increase our total capacity by outsourcing certain functions that would be more expensive to do in-house with our present volume of business. Management also recognizes that capacity can be increased by joining forces with others, particularly on very large installations, such as multimillion dollar contracts that will be bid on this year by suppliers to the rail transit industry. We will also make some major changes internally in 1996 to improve our cost effectiveness and the overall management of our processes. We view these expenditures as the price of admission to reach the next level of annual sales.

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

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1995	1994	1993	1992
Industry segments				
Revenue	327	350	354	363
Operating income or loss	297	301	317	322
Identifiable assets	323	343	349	352
Depreciation expense	322	339	349	348
Capital expenditures	319	339	346	343
Geographic areas				
Revenue	272	259	250	238
Operating income or loss	221	201	198	180
Identifiable assets	259	250	238	229
Depreciation expense	23	16	17	16
Capital expenditures	24	17	20	20
Export sales	167	160	142	143
Sales to major customers	166	170	160	154

Industry Segments

BROWN-FORMAN CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Business Segment Information

The company's operations have been classified into three business segments: wines and spirits, consumer durables, and other. The wines and spirits segment includes the production, importing, and marketing of wines and distilled spirits. The consumer durables segment includes the manufacture and sale of china, crystal, ceramic and crystal collectibles, silver, pewter, and luggage. Through October 1993, the other segment included a credit card transaction processing business and an aquaculture business. The credit card transaction processing business was sold in October 1993 and the use of this segment was discontinued.

Summarized financial information by business segment for 1995, 1994, and 1993 is as follows (in thousands):

	1995	1994	1993
Net sales:			
Wines and Spirits	$1,137,834	$1,104,817	$1,121.292
Consumer Durables	541,796	13,612	19,038
Other	—	10,053	18,096
	$1,679,630	$1,628,482	$1,658,426
Operating income:			
Wines and Spirits	$243,713	$235,004	$245,693
Consumer Durables	38,206	18,953	24,454
Other	—	453	(1,917)
Corporate	(14,134)	(14,049)	(12,848)
	$267,785	$240,361	$255,382
Total assets:			
Wines and Spirits	$715,394	$676,086	$659,911
Consumer Durables	480,322	500,707	539,682
Other	—	—	8,536
	$1,285,559	$1,233,849	$1,310,998
Depreciation and amortization:			
Wines and Spirits	$22,865	$22,108	$19,981
Consumer Durables	20,398	23,436	22,982
Other	—	271	597
Corporate	229	208	195
	$43,492	$46,023	$43,755
Capital expenditures:			
Wines and Spirits	$38,330	$19,699	$15,968
Consumer Durables	12,627	7,464	17,148
Other	—	168	355
Corporate	99	102	145
	$51,056	$27,433	$33,616

Consumer durables' operating income was reduced by $8,180,000 ($5,350,000 after-tax) for the closing or reformatting of seven retail stores in 1994 and reduced by $3,830,000 ($2,500,000 after-tax) for the write-down of slow-moving and obsolete assets in 1993.

There were no significant intersegment sales or transfers during 1995, 1994, and 1993. Operating income by business segment excludes interest income, interest expense, and net unallocated corporate expenses. Corporate assets consist principally of cash and cash equivalents, short-term investments, certain corporate receivables, and other assets.

Sales outside the United States, consisting principally of exports of wines and spirits, amounted to approximately $221,389,000, $212,897,000, and $190,026,000 in 1995, 1994, and 1993, respectively.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Business Segments

Summarized data for the Company's international operations (principally in Europe and the Far East) are as follows (in thousands):

	Year ended August 31,		
	1995	1994	1993
Revenues-unaffiliated customers	$376,332	$478,012	$591,681
Operating profit	$ 10,051	$ 8,683	$ 11,003
Identifiable assets	$ 88,711	$139,668	$132,417

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

	Year ended August 31,		
	1995	1994	1993
Far East	$42,439	$36,686	$21,805
Canada and Mexico	42,698	34,621	42,086
Other	6,074	6,660	4,208
Total	$91,211	$77,967	$68,099

The Company operates in three business segments, as indicated below. During 1995 the Financial Services segment was merged with the Marketing and Trading segment in recognition of its greater emphasis on supporting internal treasury activities instead of third party lending. Intersegment sales generally are priced at prevailing market prices. Certain corporate administrative expenses are allocated to segments based upon the nature of the expense.

1995 *(in thousands)*	Manufacturing	Recycling	Marketing and Trading	Financial Services	Corporate	Adjustments and eliminations	Consolidated
Revenues-unaffiliated customers	$900,922	$483,428	$732,419		$ 10	$ —	$2,116,779
Intersegment revenues	11,817	27,707	16,806			(56,330)	
Total revenues	912,739	511,135	749,225		10	(56,330)	2,116,779
Operating profit (loss)	54,417	11,337	17,751		(10,251)		73,254
Interest expense							(15,246)
Earnings before income taxes							58,008
Depreciation and amortization	28,847	8,524	635		128		38,134
Capital expenditures	24,689	14,103	431		88		39,311
Identifiable assets	$452,145	$111,119	$165,692		$19,147	$ —	$ 748,103
1994 *(in thousands)*							
Revenues-unaffiliated customers	$592,958	$319,468	$751,027	$ 2,747	$ 34	$ —	$1,666,234
Intersegment revenues	5,317	22,782	6,895			(34,994)	
Total revenues	598,275	342,250	757,922	2,747	34	(34,994)	1,666,234
Operating profit (loss)	37,670	4,998	13,507	1,731*	(9,681)		48,225
Interest expense							(7,318)*
Earnings before income taxes							40,907
Depreciation and amortization	22,382	7,003	655		103		30,143
Capital expenditures	37,203	10,181	519		249		48,152
Identifiable assets	$281,471	$ 97,924	$154,102	$62,003	$ 9,377	$ —	$604,877
1993 *(in thousands)*							
Revenues-unaffiliated customers	$482,076	$264,580	$816,901	$ 3,661	$ 1,288	$ —	$1,568,506
Intersegment revenues	5,334	25,992	1,018			(31,044)	
Total revenues	487,410	290,172	817,919	3,661	1,288	(31,944)	1,568,506
Operating profit (loss)	32,536	603	14,271	1,790*	(6,541)		42,659
Interest expense							(7,598)*
Earnings before income taxes							35,061
Depreciation and amortization	19,193	7,392	688		88		27,361
Capital expenditures	31,945	4,798	577		293		37,613
Identifiable assets	$234,005	$ 77,723	$140,760	$64,174	$25,299	$ —	$ 541,961

*Interest expense of the financial services segment has been included in operating profit in the amounts of $1,953 in 1994, and $1,799 in 1993.

THE McGRAW-HILL COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Segment Reporting

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

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

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

(in thousands)	Operating revenue	Operating profit	Assets at December 31	Depreciation and amortization†	Capital expenditures‡
1995					
Educational and Professional Publishing	$1,235,578	$162,604	$1,620,823	$166,847	$154,560
Financial Services	786,786	230,934	562,742	29,331	19,960
Information and Media Services	912,919	115,069	620,114	33,086	18,048
Total operating segments	2,935,283	508,607	2,803,679	229,264	192,568
Corporate	—	(63,570)	300,710	2,144	326
Interest expense-net	—	(58,766)	—	—	—
Total company	$2,935,283	$386,271*	$3,104,389	$231,408	$192,894
1994					
Educational and Professional Publishing	$1,162,157	$125,765	$1,611,302	$171,249	$144,414
Financial Services	745,480	217,212	553,240	29,027	34,613
Information and Media Services	853,232	108,343	564,530	28,550	15,358
Total operating segments	2,760,869	451,320	2,729,072	228,826	194,385
Corporate	—	(54,134)	275,291	1,200	1,060
Interest expense-net	—	(51,746)	—	—	—
Total company	$2,760,869	$345,440*	$3,004,363	$230,026	$195,445
1993					
Educational and Professional Publishing	$667,444	$49,374	$1,619,932	$78,794	$87,473
Financial Services	696,933	200,865	542,774	28,027	21,321
Information and Media Services	831,076	102,344	591,034	31,409	15,371
Total operating segments	2,195,453	352,583	2,753,740	138,230	124,165
Macmillan/McGraw-Hill joint venture	—	28,376	—	—	—
Unusual charges related to acquisition of additional 50% of Macmillan/McGraw-Hill School Publishing Company	—	$229,800)	—	—	—
Corporate	—	(48,538)	330,423	1,389	132
Interest expense-net	—	(36,342)	—	—	—
Total company	$2,195,453	$66,279*	$3,084,163	$139,619	$124,297

*Income before taxes on income
†Includes amortization of goodwill and intangible assets and prepublication costs.
‡Includes purchases of property and equipment and investments in prepublication costs.

Geographic Areas

AMERICAN GREETINGS CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of dollars except per share amounts)

Note J - Business Segment Information

The Corporation operates predominantly in a single industry: the design, manufacture and sale of greeting cards and other social expression products. While the Corporation offers a wide range of items for sale, many of them are manufactured at common production facilities and marketed by a common sales force.

In addition to its North American operations, which includes the United States and Canada, the Corporation has subsidiaries in Europe and Mexico.

Revenue transfers between geographic areas and other intergeographic eliminations are not material. The Corporation does not derive more than 10% of its total revenue from any individual customer, government agency or export sales. Operating profit (loss) by geographic segment is revenue less operating costs, excluding interest, income taxes and cumulative effect of accounting changes.

Segment information by geographic area for the years ended February 28, 1995, 1994 and 1993 follows:

	North America	Other Foreign	Consolidated
1995			
Total revenue	$1,775,957	$102,483	$1,878,440
Operating profit (loss)	251,990	(7,956)	244,034
Total assets excluding cash and equivalents	1,565,973	108,627	1,674,600
1994			
Total revenue	$1,679,753	$101,062	$1,780,815
Operating profit (loss)	239,721	(13,410)	226,311
Total assets excluding cash and equivalents	1,363,638	100,530	1,464,168
1993			
Total revenue	$1,582,650	$105,534	$1,688,184
Operating profit (loss)	221,724	(13,690)	208,034
Total assets excluding cash and equivalents	1,215,236	97,978	1,313,214

BETZ LABORATORIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Segment and Geographic Information

The Company operates principally in one industry segment which includes the development, manufacture and sale of specialty chemical products used to treat industrial water.

The Company's areas of operation outside of the United States and Europe principally include Canada, Latin America and Asia-Pacific. No one single foreign country in which the Company produces or markets its products is significant to consolidated operations. No single customer accounts for more than 10 percent of the Company's revenues.

Information about the Company's operations in different geographic locations is shown below (in thousands).

1995	United States	Europe	Other Foreign	Consolidated
Net sales	$555,882	$111,594	$84,977	$752,453
Operating earnings	78,554	15,225	16,193	109,972
Identifiable assets	395,660	142,676	92,132	630,468
1994				
Net sales	$551,515	$94,250	$62,521	$708,286
Operating earnings	94,804	13,303	9,398	117,505
Identifiable assets	395,046	102,885	57,567	555,498
1993				
Net sales	$543,261	$84,613	$56,998	$684,872
Operating earnings	82,298	9,905	9,083	101,286
Identifiable assets	399,927	75,928	45,274	521,129

United States identifiable assets include $800,000, $27,000,000 and $32,100,000 of cash and cash equivalents, marketable securities and other investments at December 31, 1995, 1994 and 1993, respectively. These assets are available for general corporate purposes.

Direct export sales of $10,841,000, $13,629,000 and $11,981,000 for the years 1995, 1994 and 1993, respectively, are included in United States net sales.

DONALDSON COMPANY, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J. Segment Information

The Company has one business segment which consists of the design, manufacture and sale of filtration products. The table below sets forth information about operations in different geographic areas:

(Thousands of dollars)	United States	Europe	Japan	Other Countries	Eliminations	Consolidated
1995						
Sales to customers	$437,463	$114,731	$91,248	$60,517	$ —	$703,959
Sales between geographic areas	28,416	1,163	2,254	2,424	(34,257)	—
Net Sales	$465,879	$115,894	$93,502	$62,941	$(34,257)	$703,959
Operating Income	$ 29,968	$ 15,384	$10,741	$10,148	$(710)	$ 65,531
Identifiable Assets:						
Accounts receivable, net	$ 58,146	$ 31,705	$33,740	$13,548	$ 16	$137,155
Other	117,249	61,753	35,324	28,511	(29,650)	213,187
Total identifiable assets	$175,395	$ 93,458	$69,064	$42,059	$(29,634)	$350,342
General corporate assets						30,700
Total Assets						$381,042
1994						
Sales to customers	$391,234	$ 87,945	$70,981	$43,343	$ —	$593,503
Sales between geographic areas	21,839	496	1,911	1,502	(25,748)	—
Net Sales	$413,073	$ 88,441	$72,892	$44,845	$(25,748)	$593,503
Operating Income	$ 26,112	$ 11,510	$ 8,175	$ 6,446	$ (164)	$ 52,079
Identifiable Assets:						
Accounts receivable, net	$ 60,179	$ 26,408	$27,768	$ 7,462	$ 350	$122,167
Other	88,858	63,216	29,173	17,978	(16,729)	182,496
Total identifiable assets	$149,037	$ 89,624	$56,941	$25,440	$(16,379)	$304,663
General corporate assets						32,697
Total Assets						$337,360
1993						
Sales to customers	$342,890	$ 81,305	$64,378	$44,754	$ —	$533,327
Sales between geographic areas	18,909	567	1,453	366	(21,295)	—
Net Sales	$361,799	$ 81,872	$65,831	$45,120	$(21,295)	$533,327
Operating Income	$ 23,754	$ 7,659	$ 7,352	$ 6,427	$ 54	$ 45,246
Identifiable Assets:						
Accounts receivable, net	$ 45,244	$ 22,878	$24,920	$ 9,969	$ 309	$103,320
Other	77,341	45,568	29,095	19,922	(19,224)	152,702
Total identifiable assets	$122,585	$ 68,446	$54,015	$29,891	$(18,915)	$256,022
General corporate assets						44,195
Total Assets						$300,217

Sales between geographic areas are made at cost plus a proportionate share of operating profit. General corporate assets include corporate cash and cash equivalents and buildings and equipment used for corporate purposes. Sales to one customer amounted to $88,199,000, $69,107,000 and $55,616,000 in 1995, 1994 and 1993, respectively.

YORK INTERNATIONAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Domestic and Foreign Operations

The Company is engaged in one principal industry—air conditioning and related equipment. The Company's customers are not concentrated in any specific geographic region and no single customer accounts for a significant amount of the Company's sales. As of December 31, 1995 and 1994, the Company had no significant concentrations of credit risk. Information related to domestic and foreign operations is as follows:

(in thousands)	1995	1994	1993
Sales:			
United States	$1,887,182	$1,599,393	$1,380,285
Canada	43,712	30,054	27,525
Europe	592,867	477,108	390,299
Other Foreign	406,187	315,309	233,840
	$2,929,948	$2,421,864	$2,031,949
Sales or transfers between geographic areas:			
United States	$282,405	$202,652	$155,258
Canada	—	—	—
Europe	63,145	28,070	17,768
Other Foreign	53,375	33,596	21,239
	$398,925	$264,318	$194,265
Income (loss) from operations:			
United States	$179,380	$138,904	$123,470
Canada	2,190	574	1,469
Europe	30,617	22,871	10,716
Other Foreign	10,616	9,618	13,472
Impairment loss on long-lived assets (see note 17)	(244,473)	—	—
	$(21,670)	$171,967	$149,127
Identifiable assets at end of year:			
United States	$1,303,975	$1,138,166	$1,019,673
Canada	17,701	14,235	13,125
Europe	389,342	288,106	178,954
Other Foreign	215,984	147,473	123,429
	$1,927,000	$1,587,980	$1,335,181

Included in United States sales are export sales of $289.3 million in 1995, $243.0 million in 1994 and $201.0 million in 1993.

Major Customers

DSC COMMUNICATIONS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

International Operations and Major Customers

International Operations

The Company operates in a single industry segment, the telecommunications equipment marketplace.

A summary of the Company's operations by geographic area is presented below (in thousands):

	December 31, 1995	1994
Revenue from unaffiliated customers:		
United States	$1,188,357	$908,664
Europe	155,562	47,287
Other International	78,099	47,174
Eliminations	—	—
Consolidated	1,422,018	1,003,125
Intercompany revenue between geographic areas:		
United States	$65,856	$63,871
Europe	15,357	11,473
Other International	5,373	4,301
Eliminations	(86,586)	(79,645)
Consolidated	—	—
Operating income (loss):		
United States	$284,525	$215,280
Europe	(14,090)	2,509
Other International	4,139	505
Eliminations	4,844	(4,295)
Consolidated	279,418	213,999
Identifiable assets at December 31:		
United States	$1,546,378	$1,012,006
Europe	296,157	234,983
Other International	22,916	27,715
Eliminations	(176)	(6,168)
Consolidated	$1,865,275	$1,268,536

The information presented above may not be indicative of results if the geographic areas were independent organizations. Intercompany transactions are made at established transfer prices. Revenue from foreign operations and identifiable assets of foreign operations were less than 10% of consolidated revenue and assets in 1993.

Revenue generated from export sales was less than 10% of consolidated revenue in 1995, 1994 and 1993.

Major Customers

The following companies represented the five largest customers of the Company for each of the respective years. The customers and their related percentage of consolidated revenue were as follows:

	Year ended December 31,		
	1995	1994	1993
Motorola, Inc.	23%	23%	12%
MCI Communications Corporation	10%	12%	18%
Ameritech Services, Inc. and subsidiaries	9%	11%	13%
NYNEX	8%	8%	11%
Bell Atlantic	7%	8%	11%

FEDERAL SCREW WORKS (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 7 - Industry Information

Federal Screw Works is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined, cold formed, hardened and/or ground metal parts, all of which constitute a single business segment.

The Company's products are manufactured at several plants and are fabricated from metal rod and bar, which are generally available at competitive prices from multiple sources. Production is in high-volume job lots to the specification of original equipment manufacturers and sold to them for incorporation into their assemblies. The majority of these sales are to manufacturers of automobiles and trucks, with the balance being mainly to manufacturers of nonautomotive durable goods.

Approximately 89% of the Company's net sales in fiscal 1995 (90% in both fiscal 1994 and fiscal 1993) were made either directly or indirectly to automotive companies. The Company generally does not require collateral from its customers.

Customers comprising 10% or greater of the Company's net sales are summarized as follows:

	1995	1994	1993
Ford Motor Company	46%	45%	45%
General Motors Corporation	22	26	27
All Others	32	29	28
	100%	100%	100%

Sales to customers outside the United States are not significant.

THE STANDARD PRODUCTS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Segment Information

The Company's operations are in two industry segments. The Transportation Equipment Segment includes extruded and molded rubber and plastic products for automotive, building and marine industries and plastic and magnetic door seals for home appliances. The Tread Rubber Segment produces tread rubber for the truck tire retreading industry. Net sales by segment include both sales to unaffiliated customers, as reported in the Company's consolidated statements of income, and intersegment sales. Operating income consists of net sales less applicable operating costs and expenses related to those sales. In computing operating income, general corporate expenses are excluded. Identifiable assets by segment are those assets that are used in the operations of each segment. General corporate assets are those not identifiable with the operations of a segment.

The Company's major customers include automotive original equipment manufacturers. The percentage of sales of each of these major customers to total consolidated sales for the three-year periods 1995, 1994 and 1993, respectively, has been as follows: Chrysler – 15%, 13% and 11%; Ford – 23%, 26% and 31%; General Motors – 18%, 17% and 23%. Sales to the automotive original equipment customers include a number of different products and types of the same product, the sales of which are not inter-dependent.

Export Sales

AMETEK, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Segment and Geographic Information

The Company classifies its operations into three business segments: Electro-mechanical, Precision Instruments, and Industrial Materials. The Electro-mechanical Group produces motor blower systems and injection-molded components for manufacturers of floor care appliances and produces fractional horsepower motors and motor blowers for computer, business machine, medical equipment, and high-efficiency heating equipment producers. Sales of fractional horsepower electric motors and blowers represented 44.4% in 1995, 43.9% in 1994, and 40.0% in 1993 of the Company's consolidated net sales.

The Precision Instruments Group produces aircraft cockpit instruments and displays, in addition to pressure, temperature, flow, and liquid level sensors for aircraft and jet engine manufacturers and for airlines, as well as airborne electronics systems that monitor and record flight and engine data. The Group also produces instruments and complete instrument panels for heavy truck builders and heavy construction vehicles; process monitoring and display systems; combustion, gas analysis; moisture and emissions monitoring systems; force and speed measuring instruments; air and noise monitors; pressure and temperature calibrators; and pressure-indicating and digital manometers.

The Industrial Materials Group produces high-temperature-resistant materials and textiles; corrosion-resistant heat exchanges; tanks and piping for process systems; drinking water filter and treatment systems; industrial and commercial filters for other liquids; replacement filter cartridges; liquid bag filters and multiple cartridge filter housings; high-purity metals and alloys in powder; strip and wire form for high-performance aircraft; automotive and electronics requirements; and thermoplastic compounds and concentrates for automotive, appliance, and telecommunication applications.

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Geographic Areas		(in thousands)	
	1995	1994	1993
Net sales (based on destination)			
United States	$556,236	$537,048	$499,106
International (including United States exports shown below):			
Europe	201,179	171,088	147,209
Asia	35,160	25,143	21,860
Canada	30,273	25,031	21,639
Other	14,642	16,428	11,976
Total International	281,254	237,690	202,684
Total Consolidated	$837,490	$774,738	$701,790
Income (loss) before income taxes			
United States	$93,047	$82,504	$14,109
International:			
Europe	18,514	16,290	7,357
Canada, Asia, and other	(159)	(151)	(171)
Corporate administrative and other expenses	(22,104)	(23,351)	(22,587)
Interest and other expenses, net	(20,041)	(17,529)	(11,269)
Total Consolidated	$69,257	$57,763	$(12,561)
Identifiable assets			
United States	$339,594	$315,242	$305,224
International:			
Europe	107,314	92,907	83,774
Canada, Asia, and other (principally Asia in 1995)	7,956	102	577
Corporate	71,881	85,936	166,519
Total Consolidated	$526,745	$494,187	$556,094
United States export sales (reported in international sales above)			
Europe	$59,928	$50,165	$51,179
Asia	35,160	25,140	21,517
Canada	30,273	25,031	21,186
Other	13,729	15,869	11,542
Total Consolidated	$139,090	$116,205	$105,424

TRANSTECHNOLOGY CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Segment Information:

The Company develops, manufactures and sells primarily specialty fastener products and rescue hoist and cargo hook products. Specialty Fastener Products include gear-driven band fasteners, threaded fasteners and retaining rings for the marine, auto, toy, aircraft, heavy equipment and industrial machinery industries. Rescue Hoist and Cargo Hook Products include lifting, control, and restraint devices—principally helicopter rescue hoists and external hook systems, winches and hoists for aircraft and weapon-handling systems; and aircraft and cargo tie-downs.

Operating profit is net sales less-operating expenses. General corporate expenses, interest and income taxes have not been deducted in determining operating profit. Assets, depreciation and amortization, and capital expenditures are those identifiable to a particular segment by their use. Approximately 18%, 23% and 28% of sales from continuing operations in 1995, 1994 and 1993, respectively were derived from sales to the United States Government and its prime contractors which are attributable primarily to the Rescue Hoist and Cargo Hook Products Segment.

In 1995, 1994 and 1993, the Company had revenues from export sales as follows:

Location	1995	1994(a)	1993(a)
Middle East	$ 114,000	$ 142,000	$ 126,000
Mexico, Central and South America	1,015,000	657,000	312,000
Western Europe	6,641,000	6,221,000	6,719,000
Canada	5,896,000	3,630,000	1,584,000
Pacific and Far East	1,638,000	4,159,000	1,178,000
Other	136,000	141,000	301,000
Total	$15,440,000	$14,950,000	$10,220,000

(a) Restated to reflect only continuing operations.

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 1995, 133 survey companies were on a 52-53 week fiscal year.

During 1995, one survey company changed the date of its fiscal year end. This change and examples of fiscal year definitions follow.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1995	**1994**	**1993**	**1992**
January	23	23	23	21
February	11	12	11	14
March	15	15	16	15
April	8	8	7	7
May	16	16	16	16
June	58	59	62	60
July	14	14	15	15
August	15	15	16	18
September	35	37	35	33
October	23	22	22	22
November	17	17	17	18
Subtotal	**235**	**238**	**240**	**239**
December	365	362	360	361
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year End

WESTERN DIGITAL CORPORATION

Consolidated Balance Sheets

July 1, 1995	June 30, 1994

Consolidated Statements of Operations

	Years ended	
July 1, 1995	June 30, 1994	June 30, 1993

Consolidated Statements of Shareholders' Equity

Three years ended July 1, 1995

Consolidated Statements of Cash Flows

	Years ended	
July 1, 1995	June 30, 1994	June 30, 1993

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

Fiscal Year

Effective July 1, 1994, the Company changed its fiscal year end from June 30 to a 52 or 53-week year ending on the Saturday nearest June 30. Accordingly, the 1995 fiscal year ended on July 1, whereas the previous two fiscal years ended on June 30. All general references to years relate to fiscal years unless otherwise noted.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Western Digital Corporation:

We have audited the accompanying balance sheets of Western Digital Corporation as of July 1, 1995 and June 30, 1994, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended July 1, 1995. 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 Western Digital Corporation as of July 1, 1995 and June 30, 1994, and the results of its operations and its cash flows for each of the years in the three-year period ended July 1, 1995, in conformity with generally accepted accounting principles.

Definition of Fiscal Year

AEL INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

The Company's fiscal year ends on the last Friday in February. Fiscal years in the three-year period ended February 24, 1995, each contain fifty-two weeks.

ANTHONY INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Periods

The Company maintains its books using a 52/53 week year ending on the last Sunday of December. For purposes of the consolidated financial statements, the year-end is stated as December 31. The year ending December 31, 1995 consisted of 53 weeks. Each of the years ended in 1994 and 1993 consisted of 52 weeks.

AULT INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal year: The Company operates on a 52 to 53 week fiscal year. The fiscal years for the financial statements presented ended May 28, 1995, May 29, 1994, and May 30, 1993.

BRIGGS & STRATTON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks, ending on the Sunday nearest the last day of June in each year. Therefore, the 1995 and 1993 fiscal years were 52 weeks long and the 1994 fiscal year was 53 weeks long. All references to years relate to fiscal years rather than calendar years.

JAMES RIVER CORPORATION OF VIRGINIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year

James River's fiscal year includes the 52 or 53 weeks ending on the last Sunday in December. The year ended December 31, 1995, included 53 weeks while the years ended December 25, 1994, and December 26, 1993, each included 52 weeks. In 1995, the Company changed the fiscal year end of Jamont N.V. ("Jamont"), the Company's European Consumer Products subsidiary from November 30 to December 31 to eliminate the one-month lag in reporting. The one-month lag was eliminated during the fourth quarter as an adjustment to retained earnings of $8 million.

J.C. PENNEY COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Accounting Policies

Definition of fiscal year. The Company's fiscal year ends on the last Saturday in January. Fiscal year 1995 ended January 27, 1996, 1994 ended January 28, 1995, and 1993 ended January 29, 1994. The accounts of JCPenney Insurance and JCPenney National Bank are on a calendar year basis.

THE QUAKER OATS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal-Year Change – In May 1995, the Board of Directors approved a change in the Company's fiscal year end from June 30 to December 31, effective the calendar year beginning January 1, 1996. A six-month fiscal transition period from July 1, 1995 through December 31, 1995 will precede the start of the new calendar-year cycle. Fiscal years presented and referred to in these consolidated financial statements and notes thereto are on a June 30 fiscal-year basis unless otherwise indicated.

THE VALSPAR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year: The Company has adopted a 4-4-5 accounting cycle with the fiscal year ending on the Friday immediately preceding October 31.

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 (319 companies) or a statement showing changes only in retained earnings (37 companies). 198 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 1995, 17 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

	1995	1994	1993	1992
To nearest dollar	40	43	48	45
To nearest thousand dollars:				
Omitting 000	354	352	349	362
Presenting 000	20	22	27	28
To nearest million dollars	186	183	176	165
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.

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

	1995	1994	1993	1992
General reference only	431	416	384	374
General and direct references	168	182	210	221
Direct reference only	1	1	3	2
No reference to notes	—	1	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			
	1995	1994	1993	1992
Consolidation policy	585	591	586	584
Depreciation methods	584	582	581	577
Inventory pricing	560	556	559	553
Property	510	496	502	490
Cash equivalents	495	483	474	469
Earnings per share calculation	470	460	454	445
Amortization of intangibles	415	380	385	382
Interperiod tax allocation	384	410	431	438
Use of estimates	358	—	—	—
Translation of foreign currency	338	320	313	281
Financial instruments	311	282	251	176
Impairment of long-lived assets	293	—	—	—
Employee benefits	219	181	178	156
Research and development costs	165	153	143	143
Fiscal years	156	145	150	126
Environmental costs	122	111	87	33
Credit risk concentrations	91	71	73	63
Capitalization of interest	89	79	78	77

ALCO STANDARD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Basis of Presentation
The consolidated financial statements include the accounts of Alco Standard Corporation and its wholly owned subsidiaries (the Company). Significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition
Revenues are recorded at the time of shipment of products or performance of services. Revenues from service contracts are recognized in earnings over the term of the contract. The present values of payments due under sales-type lease contracts are recorded as revenues and cost of goods sold is charged with the book value of the equipment at the time of shipment. Future interest income is deferred and recognized over the related lease term.

Inventories
Inventories are stated at the lower of cost or market and consist of finished goods available for sale. The Company uses the LIFO method of determining cost for approximately 60% of its inventories and the FIFO method for the balance. If the FIFO method of accounting had been used for all inventories, these balances would have been $92,590,000 higher at September 30, 1995 and $36,877,000 higher at September 30, 1994.

Goodwill
Substantially all goodwill (excess of cost of acquired companies over equity) is amortized over 40 years by the straight-line method. The recoverability of goodwill is evaluated at the operating unit level by an analysis of operating results and consideration of other significant events or changes in the business environment. If an operating unit has current operating losses and based upon projections there is a likelihood that such operating losses will continue, the Company will evaluate whether impairment exists on the basis of undiscounted expected future cash flows from operations before interest for the remaining amortization period. If impairment exists, the carrying amount of the goodwill is reduced by the estimated shortfall of cash flows.

Depreciation
Properties and equipment are depreciated over their useful lives by the straight-line method.

Earnings (Loss) Per Share
Earnings (loss) per share are based on 112,520,000 weighted average shares in 1995, 107,458,000 shares in 1994 and 94,792,000 shares in 1993, and include the dilutive effect of common stock equivalents, principally stock options.

Reclassifications
Certain prior-year amounts have been reclassified to conform with the current-year presentation.

Foreign Currency Translation
All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The resulting translation adjustments are recorded as a component of shareholders' equity.

Accounting Changes
During fiscal 1994, the Company changed its methods of accounting for income taxes and retiree healthcare benefits. The cumulative effect of adopting each of these new accounting methods was immaterial.

Pending Accounting Change
In March 1995, the FASB issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated

to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement 121 in the first quarter of fiscal 1996 and, based on current circumstances, does not believe the effect of adoption will be material.

Interest Rate Swap Agreements
The Company has entered into several interest rate swap agreements as a means of managing its interest rate exposure. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations. Net amounts paid or received are reflected as adjustments to interest expense.

Stock Split
All common shares and per share amounts have been adjusted to give retroactive effect to a two-for-one stock split effected in the form of a stock dividend distributed on November 9, 1995 to holders of record on October 27, 1995.

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Principles of Consolidation. The financial statements include all majority-owned U.S. and non-U.S. subsidiaries. Intercompany accounts, transactions and profits are eliminated. The fiscal year is the 52 or 53 weeks period ending the last Saturday in December. Certain amounts in the prior years' financial statements have been reclassified to conform with the current year's presentation.

Use of Estimates. The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Cash And Cash Equivalents. Cash equivalents include time deposits and highly liquid investments with original maturities of three months or less.

Inventories. Inventories are valued at the lower of cost or market, generally using the first-in, first-out (FIFO) method. However, cost is determined by using the last-in, first-out (LIFO) method for certain U.S. inventories.

Property, Plant And Equipment. Property, plant and equipment, including improvements that significantly add to productive capacity or extend useful life, are recorded at cost, while maintenance and repairs are expensed currently. Interest costs on significant projects constructed for the Company's own use are capitalized as part of the cost of the newly constructed facilities. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the Balance Sheet and any gain or loss is reflected in earnings.

Depreciation is calculated for financial reporting purposes using the straight-line method based on the estimated useful lives of the assets as follows: buildings, 30 to 40 years; machinery and equipment, 2 to 10 years; and leasehold improvements, the lease periods.

Goodwill. Goodwill is the excess of the cost of net assets acquired in business combinations over their fair value. It is amortized on a straight-line basis over periods ranging from 10 to 40 years. The Company evaluates goodwill for impairment at least annually. In completing this evaluation, the Company compares its best estimate of future cash flows, excluding interest costs, with the carrying value of goodwill.

Revenue Recognition. Net sales are generally recognized when products are shipped. The Company has established programs which, under specified conditions, enable customers to return product. The Company establishes liabilities for estimated returns and allowances at the time of shipment. In addition, accruals for customer discounts and rebates are recorded when revenues are recognized.

Advertising Expense. External costs incurred in producing media advertising are expensed the first time the advertising takes place. Promotional or advertising costs associated with customer support programs are accrued when the related revenues are recognized.

Costs associated with coupons and rebates are amortized over the estimated period of benefit. Recoverability of these costs is evaluated on an ongoing basis and writedowns to net realizable value are recorded as necessary.

At December 30, 1995 and December 31, 1994, $6,368,000 and $5,991,000 of deferred advertising costs were reported as other current assets. Advertising expenses of $232,473,000, $210,965,000 and $201,023,000 were included in the Company's results of operations for 1995, 1994 and 1993, respectively.

Start-Up Costs. One-time, non-recurring and incremental out-of-pocket expenditures directly related to and incurred during the start-up phase of major internal projects are deferred and amortized over future periods. Upon conclusion of the start-up period, these costs are amortized on a straight-line basis over periods of no more than three years. Recoverability of these costs is assessed on an ongoing basis and writedowns to net realizable values are recorded as necessary.

At December 30, 1995 and December 31, 1994, $11,072,000 and $13,730,000 of start-up costs were reported as other assets.

Investments In Debt And Equity Securities. Certain of the Company's other investments are classified as available-for-sale under the terms of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", 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 market prices or using discounted cash flows and investment risk.

Impairment Of Long-Lived Assets. In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". The Statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company will adopt this Standard during the first quarter of 1996. Such

adoption is not expected to have a material effect on the Company's financial position or results of operations.

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.

Foreign Exchange And Interest Rate Instruments. The Company enters into forward exchange and purchased foreign currently option contracts to hedge transactions and firm commitments denominated in foreign currencies and certain non-U.S. equity investments. The gains or losses on hedges of transaction exposures are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments, primarily purchases of inventory, are deferred and recognized in the basis of the transaction when completed. Gains and losses on forward contracts hedging non-U.S. equity investments are recorded as a cumulative translation adjustment in shareholders' equity until the investment is liquidated. The cash flows related to these gains and losses are reported as cash flows from operating activities. The Company also enters into interest rate swap and cap agreements to balance its floating rate asset and liability positions. The Company amortizes premium income or expense incurred by buying or selling foreign exchange and interest rate instruments over the life of the agreements as nonoperating income or expense. Gains and losses on terminated swaps are recognized over the remaining life of the underlying obligation as an adjustment to investment income or interest expense.

Income Taxes. The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

Earnings Per Share. Net earnings per Common share are based on the weighted average number of Common and Class B shares outstanding during the year, adjusted for the assumed conversion of dilutive stock options. In computing the per share effect of assumed conversion, funds which would have been received from the exercise of options are considered to have been used to purchase Common shares at current market prices, and the resulting net additional Common shares are included in the calculation of average Common shares outstanding.

THE BLACK & DECKER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Accounting Policies

Principles of Consolidation: The Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions have been eliminated.

Reclassifications: The accompanying Consolidated Financial Statements for 1994 and 1993 have been reclassified to identify separately the results of operations, net assets, and cash flows of the Corporation's discontinued information technology and services segment (see Note 2). In addition, certain prior year's amounts in the consolidated Financial Statements have been reclassified to conform to the presentation used in 1995.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Foreign Currency Translation: The financial statements of subsidiaries outside the United States, except those subsidiaries located in highly inflationary economics, are generally measured using the local currency as the functional currency. Assets, including goodwill, and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in equity adjustment from translation, a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings. For subsidiaries operating in high inflationary economies, gains, and losses from balance sheet translation adjustments are included in net earnings.

Cash and Cash Equivalents: Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

Inventories: Inventories are stated at the lower of cost or market. The cost of United States inventories is based primarily on the last-in, first-out (LIFO) method; all other inventories are based on the first-in, first-out (FIFO) method.

Property and Depreciation: Property, plant and equipment is stated at cost. Depreciation is computed generally on the straight-line method for financial reporting purposes and on accelerated and straight-line methods for tax reporting purposes.

Goodwill and Other Intangibles: Goodwill and other intangibles are amortized on the straight-line method over

periods ranging up to 40 years. On a periodic basis, the Corporation estimates the future undiscounted cash flows of the businesses to which goodwill relates in order to ensure that the carrying value of goodwill has not been impaired.

Product Development Costs: Costs associated with the development of new products and changes to existing products are charged to operations as incurred. Product development costs were $96.1 million in 1995, $89.2 million in 1994, and $90.6 million in 1993.

Advertising and Promotion: All costs associated with advertising and promoting products are expensed in the year incurred. Advertising and promotion expense, including expense of consumer rebates, was $265.1 million in 1995, $249.9 million in 1994, and $209.3 million in 1993.

Postretirement Benefits: The Corporation and its subsidiaries have pension plans covering substantially all of their employees, who are primarily covered by non-contributory defined benefit plans. The plans are funded in conformity with the funding requirements of applicable government regulations. Generally, benefits are based on age, years of service, and the level of compensation during the final years of employment. Prior service costs for defined benefit plans are generally amortized over the estimated remaining service periods of employees.

Certain employees are covered by defined contribution plans. The Corporation's contributions to the plans are based on a percentage of employee compensation or employee contributions. The plans are funded on a current basis.

In addition to pension benefits, the Corporation provides certain postretirement medical, dental, and life insurance benefits, principally to certain United States employees. Retirees in other countries are generally covered by government-sponsored programs.

The Corporation uses the corridor approach in the valuation of defined benefits plans and other postretirement benefits. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions. For defined benefit pension plans, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. For other postretirement benefits, amortization occurs when the net gains and losses exceed 10% of the accumulated postretirement benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the average remaining service period to retirement date of active plan participants or, for retired participants, the average remaining life expectancy.

Derivative Financial Instruments: Derivative financial instruments are used by the Corporation principally in the management of its interest rate and foreign currency exposures.

Amounts to be paid or received under interest rate swap agreements are accrued as interest rates change and are recognized over the life of the swap agreements as an adjustment to interest expense. The related amounts payable to, or receivable from, the counter-parties are included in other accrued liabilities. The fair value of the swap agreements is not recognized in the Consolidated Financial Statements, since they are accounted for as hedges.

The costs of interest rate cap agreements are included in interest expense ratably over the lives of the agreements. Payments to be received as a result of the cap agreements are accrued as a reduction of interest expense. The unamortized costs of the cap agreements are included in other assets.

In the case of an early termination of an interest rate swap or cap, gains or losses resulting from the early termination are deferred and amortized as an adjustment to the yield of the related debt instrument over the remaining period originally covered by the terminated swap or cap.

Gains and losses on hedges of net investments are not included in the Consolidated Statement of Earnings, but are reflected in the Consolidated Balance Sheet in the equity adjustment from translation component of stockholders' equity, with the related amounts payable to or due from the counterparties included in other liabilities or other assets.

Gains and losses on foreign currency transaction hedges are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Gains and losses of foreign currency firm commitment hedges are deferred and included in the basis of the transactions underlying the commitments.

Stock-Based Compensation: The Financial Accounting Standards Board (FASB) recently issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." This new standard encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options, and other equity instruments based on a fair-value method of accounting.

Companies that do not choose to adopt the new expense recognition rules of SFAS No. 123 will continue to apply the existing accounting rules contained in Accounting Principles Board Opinion (APBO) No. 25, but will be required to provide pro forma disclosures of the compensation expense determined under the fair-value provisions of SFAS No. 123, if material. APBO No. 25 requires no recognition of compensation expense for most of the stock-based compensation arrangements provided by the Corporation, namely, broad-based employee stock purchase plans and option grants where the exercise price is equal to the market price at the date of grant.

The Corporation is required to adopt either the recognition or the disclosure provisions of SFAS No. 123 by no later than January 1, 1997. The Corporation expects to continue to follow the accounting provisions of APBO. No. 25 for stock-based compensation and to furnish the pro forma disclosures required under SFAS No. 123, if material.

Impairment of Long-Lived Assets: The FASB recently issued SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the Corporation is required to adopt effective January 1, 1996. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles held and used by a company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 also requires that long-lived

assets and certain identifiable intangibles held for sale, other than those related to discontinued operations, be reported at the lower of carrying amount or fair value less cost to sell. The Corporation does not expect the effect of its adoption of SFAS No. 121 to be material.

Net Earnings Per Common and Common Equivalent Share: Primary earnings per common and common equivalent share are computed by dividing net earnings, after deducting preferred stock dividends, by the weighted average number of common shares outstanding during each year plus, for 1995, the incremental shares that would have been outstanding under certain employee benefit plans and upon the assumed exercise of dilutive stock options. For 1994 and 1993, these incremental shares were immaterial and, accordingly, were not considered in the calculation of primary earnings per share.

In 1995, fully diluted earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during 1995 plus the incremental shares that would have been outstanding under certain employee benefit plans and upon the assumed exercise of dilutive stock options and conversion of the preferred shares. In 1994 and 1993, conversion of the preferred shares would have been anti-dilutive and, therefore, was not considered in the computation of fully diluted earnings per share. Also, in 1994 and 1993, the incremental shares that would have been outstanding under certain employee benefit plans and upon the assumed exercise of dilutive stock options were immaterial and, accordingly, were not considered in the calculation of fully diluted earnings per share. As a result, fully diluted earnings per share for 1994 and 1993 are not materially different from primary earnings per share.

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% to 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.

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, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as a separate component of Shareholder's Equity. Where the U.S.. dollar is the functional currency, translation adjustments are recorded in income.

Per share of Common Stock
Per share amounts have been computed based on the average number of common shares outstanding.

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.

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 recognized in income as exchange rates change as Foreign Currency Exchange. Gains and losses on contracts designated as hedges of net investments in foreign subsidiaries are recognized in Shareholder's Equity as exchange rates change 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.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance equity units is recorded annually based on the quoted market price of the Company's stock at the end of the period. Refer to Note 8.

Advertising Costs

Costs incurred for producing and communicating advertising are generally expensed when incurred. Costs incurred under the Company's domestic cooperative advertising program with dealers and franchisees are recorded subsequent to the first time the advertising takes place, as related revenues are recognized. Refer to Note 14.

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.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to financial statements. Changes in such estimates may affect amounts reported in future periods.

Reclassification

Certain items previously reported in specific financial statement captions have been reclassified to conform with the 1995 presentation.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Principles of Consolidation: The accounts of all significant subsidiaries were included in the Consolidated Financial Statements. Intercompany accounts, transactions and earnings have been eliminated in consolidation. At September 30, 1995, all subsidiaries were wholly owned except those referred to in Note 2 to the Consolidated Financial Statements.

Cash and Cash Equivalents: For purposes of the Statements of Consolidated Cash Flows, marketable securities purchased with an original maturity of three months or less are considered cash equivalents.

The company's domestic banking system provides for the daily replenishment of major bank accounts for check clearing requirements. Accordingly, outstanding checks of $26.4 million that had not yet been paid by the banks on both September 30, 1995 and 1994 were reflected in trade accounts payable in the Statements of Consolidated Financial Position.

Inventories: The company's domestic inventory is carried at the lower of cost or market using principally the last-in, first-out (LIFO) cost method. All other inventory (26% in 1995 and 28% in 1994) is carried at the lower of first-in, first-out (FIFO) cost of market.

During 1993, the liquidation of LIFO inventory quantities acquired in prior years at costs lower than 1993 purchases, increased earnings before tax by $5.7 million. There were no material liquidations of LIFO inventory quantities in 1995 or 1994.

Product Tooling: Product tooling costs are amortized over a period not exceeding five years, beginning the first year the related product is sold. Amortization of

product tooling was $16.6 million, $13.6 million and $17.8 million for 1995, 1994 and 1993, respectively.

Plant and Equipment and Depreciation: Plant and equipment are recorded at cost and depreciated substantially on a straight-line basis over their estimated useful lives as follows: buildings, 10 to 40 years; machinery and equipment, 4 to 12 years. Depreciation is not provided on construction in progress until the related assets are placed into service.

Depreciation of plant and equipment was $28.8 million, $28.4 million and $31.1 million for the years ended September 30, 1995, 1994 and 1993, respectively.

When plant and equipment is retired or sold, its costs and related accumulated depreciation are written off and the resulting gain or loss is included in net earnings.

Maintenance and repair costs are charged directly to earnings as incurred and were $31.5 million, $28.0 million and $27.0 million for 1995, 1994 and 1993, respectively. Major rebuilding costs that substantially extend the useful life of an asset are capitalized and depreciated.

The company continually reviews plant and equipment to determine that the carrying values have not been impaired.

Intangibles: The Statements of Consolidated Financial Position included net amounts for intangibles, including goodwill, of $40.6 million on September 30, 1995, as compared with net intangibles of $32.1 million on September 30, 1994. Intangibles are amortized over 15 to 40 years. The company continually reviews its intangible assets and analyzes the propriety of maintaining the stated values.

Amortization of intangibles was $1.2 million, $1.3 million and $5.6 million for 1995, 1994 and 1993, respectively. A write-off of intangibles of $75.8 million was included in restructuring charges in 1993.

Revenue Recognition: Upon shipment of products to unaffiliated customers, the company recognizes sales and related expenses including warranty expense.

Advertising Costs: Advertising costs are charged to expense as incurred and were $34.4 million, $29.3 million and $28.3 million for 1995, 1994 and 1993, respectively.

Warranty: The company generally provides the ultimate consumer a warranty with each product and accrues warranty expense at time of sale based upon actual claims history. Actual warranty costs incurred are charged against the accrual when paid.

Research and Development Costs: Research and development costs are charged to expense as incurred and were $41.6 million, $36.5 million and $36.0 million for 1995, 1994 and 1993, respectively.

Translation of Non-U.S. Subsidiary Financial Statements: The financial statements of non-U.S. subsidiaries are translated to U.S. dollars substantially as follows: all assets and liabilities at year-end exchange rates; sales and expenses at average exchange rates; shareholders' investment at historical exchange rates. Gains and losses from translating non-U.S. subsidiaries' financial statements are recorded directly in shareholders' investment. The Statements of Consolidated Earnings for 1995, 1994 and 1993 include foreign exchange losses (gains) of $(.6) million, $2.6 million and $3.6 million, respectively, which resulted primarily from commercial transactions and forward exchange contracts.

Earnings Per Share of Common Stock: Primary earnings (loss) per share of common stock are computed based on the weighted average number of shares of common stock and common stock equivalents (stock options, if applicable) outstanding of 20.1 million, 20.0 million and 19.6 million for the years ended September 30, 1995, 1994 and 1993, respectively. The computation of fully diluted earnings (loss) per share of common stock assumed conversion of the 7% convertible subordinated debentures due 2002; accordingly, net earnings (loss) were increased by after-tax interest and related expense amortization on the debentures. For 1995 and 1994, fully diluted earnings per share computation, shares were computed to be 23.5 million and 23.4 million, respectively. For 1993, the computation of fully diluted earnings (loss) per share was antidilutive; therefore, the amounts reported for primary and fully diluted earnings (loss) per share were the same.

SEAGATE TECHNOLOGY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Basis Of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after eliminations.

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. Accordingly, fiscal 1995 ended on June 30, 1995, fiscal 1994 ended on July 1, 1994 and fiscal 1993 ended on July 2, 1993. All fiscal years comprised 52 weeks. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

Foreign Currency Translation

The U.S. dollar is the functional currency for most of the Company's foreign operations. Gains and losses on the translation into U.S. dollars of amounts denominated in foreign currencies are included in net income for those operations whose functional currency is the U.S. dollar and as a separate component of shareholders' equity for those operations whose functional currency is the local currency.

The Company may enter into foreign currency forward exchange and option contracts to manage exposure related to certain foreign currency commitments, certain foreign currency denominated balance sheet positions and anticipated foreign currency denominated expenditures. Gains and losses on contracts to hedge identifiable foreign currency commitments are deferred and accounted for as part of the related foreign currency transaction. Gains and losses on all other forward exchange and option contracts are included in income currently. Transaction gains and losses have not been material.

Revenue Recognition And Product Warranty

Revenue from sales of products is generally recognized upon shipment to customers. The Company warrants its products against defects in design, materials and workmanship generally for three to five years depending upon the capacity category of the disc drive, with the higher

capacity products being warranted for the longer periods. A provision for estimated future costs relating to warranty expense is recorded when products are shipped.

Inventory

Inventories are valued at the lower of standard cost (which approximates actual cost using the first-in, first-out method) or market.

Property Equipment And Leasehold Improvements

Land, equipment, buildings and leasehold improvements are stated at cost. Equipment and buildings are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated life of the asset or the remaining term of the lease.

Income Taxes

The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), effective July 3, 1993. Under SFAS 109, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured by applying enacted tax rates and laws to taxable years in which such differences are expected to reverse. In 1993, income tax expense was determined using Accounting Principles Board Opinion No. 11 ("APB 11").

Net Income Per Share

Primary net income per share is based on the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Common stock equivalents consist of stock options. Fully diluted net income per share further assumes the conversion of the Company's 5% and $6\frac{3}{4}$% convertible subordinated debentures for the period they were outstanding.

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.

Effective July 2, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). In accordance with the Statement, prior period financial statements have not been restated to reflect the change in accounting principle. The cumulative effect as of July 2, 1994 of the adoption of SFAS 115 did not have a material effect on the Company's financial condition or results of operations.

The Company has classified its entire investment portfolio as available-for-sale. Available-for-sale securities are stated at fair value with unrealized gains and losses included in shareholders' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses are included in other income (expense). The cost of securities sold is based on the specific identification method.

Concentration Of Credit Risk

The Company designs, manufactures and markets a line of rigid magnetic disc drives for sale throughout the world to original equipment manufacturers, distributors, resellers and dealers. Financial instruments which potentially subject the Company to concentrations of credit risk are primarily accounts receivable, cash equivalents and short-term investments. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The allowance for non-collection of accounts receivable is based upon the expected collectibility of all accounts receivable. The Company places its cash equivalents and short-term investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer.

Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price of acquired companies over the estimated fair value of the tangible and intangible net assets acquired. Goodwill and other intangibles are being amortized on a straight-line basis over periods ranging from eight months to fifteen years. Accumulated amortization was $82,265,000 and $59,421,000 as of June 30, 1995 and July 1, 1994, respectively.

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 1995 annual reports of the survey companies. As shown in Table 1-8, the most frequently disclosed accounting change by the survey companies in 1995 was early adoption of *Statement of Financial Accounting Standards No. 121* which is effective for fiscal years beginning after December 15, 1995.

Examples of accounting change disclosures follow.

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1995	1994	1993	1992
Impairment of long-lived assets (SFAS 121)	87	3	—	—
Investments (SFAS 115)	47	108	21	—
Postemployment benefits (SFAS 112)	18	80	87	21
Impairment of loans (SFAS 114)	6	1	—	—
Reporting entity	6	1	5	5
Inventories	3	5	9	9
Depreciation method	3	—	3	3
Depreciable lives	2	6	6	6
Reinsurance contracts	—	2	7	—
Postretirement benefits (SFAS 106)	1	44	176	198
Income taxes (SFAS 109)	—	89	233	244
Other	21	24	21	17

Impairment of Long-Lived Assets

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Accounting Changes

In fiscal 1995, the company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The statement requires the recognition of an impairment loss for an asset held for use when the estimate of undiscounted future cash flows expected to be generated by the asset is less than its carrying amount. Measurement of the impairment loss is based on fair value of the asset. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows. It was the company's past policy to measure an impairment loss for assets held for use based on expected undiscounted future cash flows. Adoption of this statement will result in recognition of a larger loss, based on discounted future cash flows, in the year of impairment and lower depreciation charges over the remaining life of the asset. Since adoption, no impairment losses have been recognized. The recognition and measurement of impairment losses for long-lived assets to be disposed of under SFAS No. 121 is consistent with the company's past practice.

ASHLAND INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A(In Part): Significant Accounting Policies

Accounting changes

Effective September 30, 1995, Ashland adopted Financial Accounting Standards Board Statement No. 121 (FAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As a result, Ashland recorded charges of $83 million (included in depreciation, depletion and amortization) to write down certain assets to their fair value. These assets included an idle unit at Ashland Petroleum's Catlettsburg, Kentucky refinery, certain unused crude oil gathering pipelines of Scurlock Permian, various petroleum product marketing properties to be sold or shutdown, and various other assets. Fair value was based upon appraisals or estimates of discounted future cash flows, as appropriate. Operating income was reduced for each of the affected segments as follows: Petroleum ($68 million), Valvoline ($3 million), Chemical $4 million), Exploration $4 million) and general corporate expenses ($4 million). In addition, Arch Mineral adopted FAS 121 and recorded a charge to write down certain idle facilities, decreasing Ashland's equity income by $3 million. The adoption of FAS 121 reduced Ashland's net income by $54 million or $.86 per share.

THE DIAL CORPORATION

Statement of Consolidated Income

Year ended December 31, (000 omitted, except per share data)	1995	1994	1993
Income before extraordinary charge and cumulative effect of change in accounting principle	$1,137	$140,311	$142,393
Extraordinary charge for early retirement of debt, net of tax benefit of $11,833			(21,908)
Cumulative effect, net of tax benefit of $7,554, to January 1, 1995, of initial application of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"	(17,696)		
Net Income (Loss)	$(16,559)	$140,311	$120,485

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C (In Part): Impairment of Long-Lived Assets, Restructuring Charges and Asset Write-Downs

Impairment of Long-Lived Assets. In the fourth quarter of 1995, Dial elected the early adoption of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The initial application of SFAS No. 121 to long-lived assets held for disposal at January 1, 1995, resulted in a non-cash charge of $17,696,000 (net of tax benefit of $7,554,000) and is reported in the Statement of Consolidated Income as a cumulative effect of a change in accounting principle. The charge represents the adjustment required to remeasure such assets at the lower of carrying amount or fair value less cost to sell. Long-lived assets held for disposal consist principally of miscellaneous real estate remaining from businesses previously disposed of by Dial, including former bus terminal properties retained primarily upon disposition of Greyhound Lines, Inc. in 1987, land parcels retained primarily upon the spin-off of FINOVA in 1992, and other non-operating properties. These assets had a total carrying value of $22,642,000 at December 31, 1995. While these assets are being actively marketed, Dial expects the period of disposal to exceed one year for most of the assets.

THE MAY DEPARTMENT STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Long-lived Assets. In March 1995, Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to be Disposed Of," was issued. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During 1995, the company adopted this statement and determined that no impairment loss need be recognized for applicable assets of continuing operations.

SUN COMPANY, INC.

Consolidated Statements of Income

(Millions of Dollars Except Per Share Amounts)

For the Years Ended December 31	1995	1994	1993
Income before cumulative effect of change in accounting principle	$227	$97	$283
Cumulative effect of change in accounting principle (Note 6)	(87)	(7)	5
Net Income	$140	$90	$288

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Changes in Accounting Principles

Effective January 1, 1995, Sun adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This statement requires companies to write down to estimated fair value long-lived assets that are impaired. The write-downs recognized in 1995 are reflected as a cumulative effect of change in accounting principle in the consolidated statement of income and relate to properties to be disposed of in the Company's real estate, coal and refining and marketing operations. The following table sets forth summary information concerning these write-downs:

(Millions of Dollars Except Per Share Amounts)	Cumulative Effect of Accounting Change		After Tax Cumulative Effect Per Share of Common Stock	Disposal Date
	Pretax	After-tax		
Real estate	$ 33	$15	$.16	1996-2001*
Coal	45	29	.32	1996
Refining and marketing**	67	43	.47	1996-1998
	$145	$87	$.95	

*Approximately 65 percent of the remaining real estate portfolio is expected to be disposed of by 1998.
**Primarily service stations and terminals.

Other than the cumulative effect, this change did not have a significant impact on Sun's net income during 1995. The results of operations during 1995 for all properties to be disposed of were not significant.

Effective January 1, 1994, Sun adopted the provisions of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." 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. Other than 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 Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" 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 and available tax credits and carryforwards, using enacted tax law in effect during the years in which the differences are expected to reverse and the credits and carryforwards are expected to be realized. 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. Other than 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 related to the 1993 sale of certain exploration properties in the U.K. North Sea (Note 2). Since deferred income taxes will have to be adjusted for any enacted change in tax rate, Sun's net income may be subject to increased volatility.

USX CORPORATION (DEC)

Consolidated Statement of Operations

(Dollars in millions)	1995	1994	1993
Sales	$20,922	$19,330	$18,057
Operating costs:			
Cost of sales (excludes items shown below)	15,103	14,186	13,887
Inventory market valuation charges (credits)	(70)	(160)	241
Selling, general and administrative expenses	187	221	246
Depreciation, depletion and amortization	1,160	1,065	1,077
Taxes other than income taxes	3,120	2,963	2,363
Exploration expenses	149	157	145
Restructuring charges (credits)	(6)	37	42
Impairment of long-lived assets (Note 4)	675	—	—
Total operating costs	20,318	18,469	18,001
Operating income	604	861	56

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Impairment of Long-Lived Assets

At the beginning of the fourth quarter of 1995, USX adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121). SFAS No. 121 requires that long-lived assets, including related goodwill, be reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Adoption of SFAS No. 121 resulted in an impairment charge included in operating costs of $675 million. The impaired assets primarily include certain domestic and international oil and gas properties, an idled refinery, surplus real estate and related goodwill.

USX assessed impairment of its oil and gas properties based primarily on a field-by-field approach. The predominant method used to determine fair value was a discounted cash flow approach and where available, comparable market values were used. The impairment provision reduced capitalized costs of oil and gas properties by $533 million.

In addition, the Indianapolis, Indiana refinery, which was temporarily idled in October 1993, was impaired by $126 million, including related goodwill. The impairment was based on a discounted cash flow approach and comparable market value analysis.

Other long-lived assets written down included certain iron ore mineral rights and surplus real estate holdings. The impairment charge recognized for these assets was $16 million.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Accounting Changes

Effective in the fourth quarter of 1995, the company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." The new accounting standard sets guidelines to be used for determining and measuring impairment of certain assets. As a result, the company recorded a charge to earnings of $87 million pretax ($53 million after tax or 22 cents per common share) for the write-down of several oil and gas producing properties where recent downward revisions in reserve estimates indicated future net cash flows would be insufficient to fully recover the carrying value of these properties. The carrying values were written down to estimated future discounted cash flows or fully written off in the case of negative future cash flows. The charge was recorded in depreciation, depletion and amortization expense and reflected the reduction in value of various properties located in the United States ($44 million), the Netherlands ($37 million) and Canada ($6 million).

WOOLWORTH CORPORATION (JAN)

Consolidated Statement of Operations

(in millions except per share amounts)	1995	1994	1993
Sales	$8,224	$8,238	$9,558
Cost and Expenses			
Costs of sales	5,735	5,626	6,747
Selling, general and administrative expenses	2,166	2,201	2,615
Depreciation and amortization	239	233	257
Interest expense	119	107	79
Other income	(43)	(55)	(68)
Impairment of long-lived assets	241	—	—
Provision for disposition of Woolco	—	30	168
Repositioning charge	—	—	558
	8,457	8,142	10,356
Income (Loss) before Income Taxes	(233)	96	(798)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Impairment of Long-Lived Assets

The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and recorded a non-cash pre-tax charge of $241 million ($165 million after-tax). Of the total impairment loss, $209 million represents impairment of long-lived assets such as properties, store fixtures and leasehold improvements, $24 million relates to goodwill and $8 million pertains to intangibles. SFAS No. 121 stipulates that when evaluating and measuring impairment, assets shall be grouped at the lowest level for which there are identifiable, largely independent cash flows. The charge resulted from the Company grouping assets at a lower level than under its previous accounting policy regarding asset impairment. Factors leading to impairment were a combination of historical losses, anticipated future losses and inadequate cash flows.

Investments

HILLENBRAND INDUSTRIES, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Insurance Operations

In 1995, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with the provisions of this statement, the Company has classified the investments in debt and equity securities of its insurance subsidiary as "available for sale" and reported them at fair value on the balance sheet with unrealized gains and losses charged or credited to a separate component of shareholders' equity. The fair value of each security is based on the market value provided by brokers/dealers. These investments were written up $35.2 million from their amortized cost of $1,373.0 million, to their fair value of $1,408.2 million on December 2, 1995. The insurance deferred tax asset was decreased $12.3 million to record the income tax effect and shareholders' equity ("accumulated unrealized gain on investments") was increased $22.9 million. Adoption of this standard did not affect results of operations or cash flows.

HORMEL FOODS CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Accounting Changes: The company adopted Statements of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 109, "Accounting for Income Taxes," in 1993 (see Notes F and G). The company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," in 1995 (see Note B).

B. Cash and Cash Equivalents and Short-Term Marketable Securities

The company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," in fiscal 1995. The implementation of this statement did not have a material impact on the results of operations. The company considers all investments with an original maturity of three months or less on their acquisition date to be cash equivalents. The company classifies invest-

ments with an original maturity of more than three months on their acquisition date as short-term marketable securities. Short-term marketable securities consist of Adjustable Rate Mortgage Backed Securities with variable maturities through 2027. The company's cash and cash equivalents and short-term marketable securities at October 28, 1995, consisted of the following (cost approximates fair value, in thousands):

	Cash and Cash Equivalents	Short-term Marketable Securities
Held-to-maturity Securities:		
Commercial paper	$22,312	
Municipal securities	95,140	
Preferred securities	31,000	
Other	28,050	
Available-for-sale securities		$8,489
Cash	13,037	
Total	$189,539	$8,489

ICOT CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Operations of the Company

Adoption of SFAS No. 115

On July 31, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with SFAS No. 115, the Company has classified all of its marketable debt securities as held-to-maturity, and has accounted for these investments at amortized cost. Accordingly, no adjustment for unrealized holding gains or losses has been reflected in the Company's financial statements. At July 29, 1995, the Company's held-to-maturity securities consisted of treasury bills with contractual maturities of less than twelve months and the carrying amount of these investments approximated market value. Adoption of SFAS 115 did not have a material impact on the Company's financial position or results of operations.

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Investments

Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 (SFAS No. 115), "Accounting for Certain Investments in Debt and Equity Securities." Previously, the Company's equity securities were recorded at lower of cost or market. Under SFAS No. 115, the Company's equity securities are classified as available-for-sale. Available-for-sale securities are included in prepaid expenses and other and are stated at fair value, with the unrealized gains and losses, net of taxes, reported in stockholders' investment. Realized gains and losses, and declines in value judged to be other than temporary on available-for-sale securities are included in results of operations. The cost of securities sold is based on the average cost method. In accordance with SFAS No. 115, prior period financial statements have not been restated to reflect the change in accounting principle.

When a subsidiary or investee sells additional shares of its common stock to third parties, thus reducing the Company's percentage ownership interest in the investee, the Company records any increase in its share value of the investee directly to paid-in capital.

Financial Instruments (In Part):

Investments

During 1995, one of the Company's equity investees, Lightstream Corporation, entered into an agreement to sell its assets. Accordingly, the Company received $12.3 million in proceeds from the transaction, for a gain of $9.3 million. Additional proceeds of $1.2 million may be received in the future, subject to certain contingencies, and will not be recognized until received.

The cumulative effect of adopting SFAS No. 115, as of October 1, 1994, increased the beginning balance of stockholders' investment by $4.1 million to reflect the net unrealized holding gains on securities classified as available-for-sale. During 1995, the Company received $14.0 million in proceeds, and realized gains of $7.6 million from sales of available-for-sale securities. These realized gains were reported in marketing, general, and administrative expenses in the Consolidated Statement of Operations.

At September 30, 1995, the Company held available-for-sale securities with estimated fair values of $16 million, consisting of gross unrealized gains of $10 million and cost basis of $6 million. Available-for-sale securities are reported in prepaid expenses and other.

Postemployment Benefits

BAKER HUGHES INCORPORATED

Consolidated Statements of Operations

Years Ended September 30, (In thousands, except per share amounts)	1995	1994	1993
Income before extraordinary loss and cumulative effect of accounting changes	$119,983	$131,142	$58,856
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)	
Postemployment benefits (net of $7,861 income tax benefit)	(14,598)		
Accounting changes - net	(14,598)	(44,165)	
Net income	$105,385	$42,657	$58,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Postemployment Benefits: The Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective October 1, 1994. The standard requires that the cost of benefits provided to former or inactive employees after employment, but before retirement, be accrued when it is probable that a benefit will be provided, or in the case of service related benefits, over the period earned. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid. The cumulative effect of adopting SFAS No. 112 was a charge to income of $14.6 million ($.10 per share), net of a tax benefit of $7.9 million.

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

Statements of Consolidated Operations

(Dollars in thousands)	1995	1994	1993
Income (loss) before cumulative effect of accounting changes	$(166,586)	$3,959	$(98,501)
Cumulative effect on prior years of changes in accounting principles:			
Postemployment benefits	(4,950)	—	—
Income taxes	—	—	(64,500)
Postretirement benefits	—	—	(26,500)
Net income (loss)	$(171,536)	$3,959	$(189,501)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans And Benefits (In Part):

Postemployment Benefits

Effective February 27, 1994, the Company adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 requires the accrual of costs for preretirement postemployment benefits provided to former or inactive employees and the recognition of an obligation for these benefits. The Company's previous accounting policy had been to accrue for workers' compensation and a principal portion of long-term disability benefits and to expense other postemployment benefits, such as short-term disability, as incurred. As a result of adopting SFAS 112, the Company recorded a charge of $5.0 million, net of applicable income taxes of $3.9 million, as the cumulative effect of recording the obligation as of the beginning of the year. The effect of adopting SFAS 112 had an immaterial effect on income (loss) before the cumulative effect of accounting change.

Loan Impairment

GENERAL ELECTRIC COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

13 (In Part): GECS Financing Receivables (investment in time sales, loans and financing leases)

On January 1, 1995, GE adopted Statement of Financial Accounting Standards (SFAS) No. 114, *Accounting by Creditors for Impairment of a Loan,* and the related SFAS No. 118, *Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures.* These Statements do not apply to, among other things, leases or large groups of smaller-balance, homogeneous loans, and therefore are principally relevant to GECS' commercial loans. There was no effect of adopting the Statements on 1995 results of operations or financial position because the allowance for losses established under the previous accounting policy continued to be appropriate following the accounting change. The Statements require disclosures of impaired loans—loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement, based on current information and events. At December 31, 1995, loans that required disclosure as impaired amounted to $867 million, principally commercial real estate loans. For $647 million of such loans, the required allowance for losses was $285 million. The remaining $220 million of loans represents the recorded investment in loans that are fully recoverable, but only because the recorded investment had been reduced through charge-offs or deferral of income recognition. These loans must be disclosed under the Statements' technical definition of "impaired" because GECS will be unable to collect all amounts due according to original contractual terms of the loan agreement. Under the Statements, such loans do not require an allowance for losses. GECS' average investment in impaired loans requiring disclosure under the Statements was $1,037 million during 1995, with revenue of $49 million recognized, principally on the cash basis.

TYCO INTERNATIONAL LTD. (JUN)

NOTES TO FINANCIAL STATEMENTS

7 (In Part): Financial Instruments

In May 1993, the Financial Accounting Standards Board issued SFAS 114, "Accounting by Creditors for Impairment of a Loan." This standard was adopted by the Company in fiscal 1995. Adoption of this standard did not have an impact on the Company's financial position or results of operations.

Consolidation Policy

UNIVERSAL CORPORATION (JUN)

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

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

Principles of Consolidation
The financial statements include the accounts of all controlled domestic and foreign subsidiaries. All material intercompany items and transactions have been eliminated. The fiscal years of foreign subsidiaries generally end March 31 or April 30 to facilitate timely reporting. The Company uses the equity method of accounting for its investments in affiliates which generally are owned less than 50%.

Effective fiscal year 1995, the Company consolidated the results of affiliates located in Malawi and Zimbabwe into its financial statements. After changes in local governmental policies, the Company can now exercise greater control over operations including the remittance of dividends. Prior to fiscal 1995, affiliates located in Malawi were accounted for under the equity method and affiliates in Zimbabwe under the cost method. Financial data for all prior periods presented has been restated to reflect the consolidation. Before, the effects of consolidation, consolidated net income for the years ended June 30 were as follows:

	1995	1994	1993
Net income	$23,768	$9,158	$80,242
Earnings per share	$.68	$.26	$2.39

Inventory

BALL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories (In Part):

Effective January 1, 1995, the company adopted the LIFO method accounting for determining the cost of certain U.S. metal beverage container inventories as a preferable method for matching the cost of the products sold with the revenues generated. The impact of this change in accounting was an increase in cost of sales and corresponding decrease in operating earnings of $17.1 million ($10.4 million after tax or 35 cents per share). The company is unable to determine the cumulative impact of this change on prior periods.

With the adoption of LIFO accounting for U.S. metal beverage container inventories, approximately 75 percent of total U.S. product inventories at December 31, 1995, were valued using this method. Inventories, at December 31, 1995, would have been $17.1 million higher than the reported amounts if the FIFO method, which approximates replacement cost, had been used for all inventories.

Depreciation Method

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment: The Company depreciates plant and equipment over their estimated useful lives using accelerated methods for income tax purposes. The Company changed its method of depreciation for certain classes of plant and equipment purchased after January 1, 1995 from an accelerated method to the straight-line method for financial statement purposes. The Company believes that the straight-line method more appropriately reflects the timing of the economic benefits to be received from these assets, consisting mainly of manufacturing equipment, during their estimated useful lives. The Company also changed its convention for calculating depreciation expense during the year that an asset is acquired. Previously, the Company used the half-year convention; starting in 1995, the Company commences depreciation in the month the asset is placed in service. In 1995, the effect of applying these new methods was to reduce depreciation expense by $4.3 million, and to increase income from continuing operations and net income by $2.7 million and net income per share by $.05. The reductions in depreciation expense represent the differences in current year depreciation expense between the old and new methods. Most of this difference occurred in the Optoelectronics segment. Depreciation and amortization was higher in 1995 than in 1994 because the effect of the changes in methods was exceeded by the effect of higher capital expenditures and inclusion of IC Sensors' depreciation for a full year. For financial statement purposes, the estimated useful lives generally fall within the following ranges: buildings and special-purpose structures—10 to 25 years; leasehold improvements—estimated useful life or remaining term of lease, whichever is shorter; machinery and equipment—3 to 7 years; special-purpose equipment—expensed or depreciated over the life of the initial related contract. Nonrecurring tooling costs are capitalized, while recurring costs are expensed.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting Changes: The company principally uses accelerated depreciation methods for both tax and financial reporting purposes for assets placed in service prior to December 31, 1994. The company changed to the straight-line method for financial reporting purposes for assets acquired on or after January 1, 1995, while continuing to use accelerated depreciation for tax purposes. The straight-line method is the predominant method used throughout the industries in which the company operates and its adoption increases the comparability of the company's results with those of its competitors. The effect of the change on the year ended December 31, 1995, increased net earnings by approximately $6.8 million ($0.06 per share).

The company implemented Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994. Adoption of this statement had no impact on the financial statements.

Effective January 1, 1993, the company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires an accrual for the expected cost of benefits provided by an employer to former or inactive employees after employment, but before retirement, such as the continuation of medical and life insurance benefits for employees on long-term disability. Previously, these benefits were expensed as incurred. The effect of the adoption of SFAS No. 112 for the company totalled $21.0 million ($0.20 per share), net of a $13.5 million tax benefit.

Contributions

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B(In Part): Accounting Changes

The company implemented new accounting standards in 1995, 1994 and 1993. None of these standards had a material effect on the financial position or results of operations of the company.

Effective January 1, 1995 the company implemented SFAS 114, "Accounting by Creditors for Impairment of a Loan," and SFAS 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." These standards prescribe impairment measurements and reporting related to certain loans.

The company implemented SFAS 116, "Accounting for Contributions Received and Contributions Made," effective January 1, 1995. This standard requires that contributions made, including unconditional promises to give, be recognized as expenses in the period made, at their fair values.

In 1995, the company implemented SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This standard prescribes the method for asset impairment evaluation for long-lived assets and certain identifiable intangibles that are either held and used or to be disposed of. The company was generally in conformance with this standard prior to adoption.

In 1995, the company adopted the American Institute of Certified Public Accountants Statement of Position (SOP) 93-7, "Reporting on Advertising Costs." This SOP provides guidance on financial reporting of advertising costs in annual financial statements. The company was generally in conformance with this SOP prior to adoption.

KNIGHT-RIDDER, INC. (DEC)

Consolidated Statement of Income

(In thousands of dollars, except per share data)	Dec. 31 1995	Year Ended Dec. 25 1994	Dec. 26 1993
Income before cumulative effect of change in accounting principle	$167,382	$170,900	$148,089
Cumulative effect of change in accounting principle for contributions	(7,320)		
Net Income	$160,062	$170,900	$148,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In 1994, the company adopted FAS 112—Employers Accounting for Postemployment Benefits. The adoption of FAS 112 did not materially impact the financial statements. In the first quarter of 1995, the company adopted FAS 116—Accounting for Contributions Received and Contributions Made. The adoption of FAS 116 resulted in a $7.3 million charge (net of tax) to operations, or $.15 per share, and was recorded as a cumulative effect adjustment. In 1996, the company will adopt the provisions of FAS 121—Accounting for the Impairment of Long-Lived Assets. FAS 121 requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current circumstances, the company does not believe the effect of adoption will be material.

PHILIP MORRIS COMPANIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting changes:
Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 116, "Accounting for Contributions Received and Contributions Made." This Statement requires the Company to recognize an unconditional promise to make a contribution as an expense in the period the promise is made. The Company had previously expensed contributions when payment was made. The cumulative effect at January 1, 1995 of adopting SFAS No. 116 reduced 1995 net earnings by $7 million ($0.01 per share), net of $4 million of income tax benefits. The application of SFAS No. 116 did not materially reduce earnings before cumulative effect of accounting changes.

The Company's adoption of SFAS No. 106 for non-U.S. postretirement benefits other than pensions, effective January 1, 1995, is discussed in Note 14. The Company's adoption of SFAS No. 112 for postemployment benefits, effective January 1, 1993, is discussed in Note 13.

SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" will be adopted by the Company on January 1, 1996. The Company estimates that the effect of adoption will not be material.

Reporting Period For Subsidiaries

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in millions)

1 (In Part): Summary of Significant Accounting Policies

Basis of Consolidation. The consolidated financial statements include the accounts of Xerox Corporation and all majority-owned subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated.

Rank Xerox Limited, Rank Xerox Holding BV, Rank Xerox Investment Limited, R-X Holdings Limited and their respective subsidiaries, and the other subsidiaries owned by the Company and The Rank Organization Plc are referred to as the Rank Xerox Companies.

Investments in which the Company has a 20 to 50 percent ownership interest are accounted for on the equity method.

Effective January 1, 1995, the Company changed the reporting periods of the Rank Xerox Companies and Latin American operations from fiscal years ending October 31 and November 30, respectively, to a calendar year ending December 31. The results of these operations during the period between the end of the 1994 fiscal year and the beginning of the new calendar year (the stub period) amounted to a loss of $21. The loss was charged to retained earnings to avoid reporting more than 12 months results of operations in one year. Accordingly, 1995 worldwide operations include the results for all consolidated subsidiaries beginning January 1, 1995. The cash activity for the stub period is included in Other, net in the consolidated statement of cash flows.

Contracts

ALLIANT TECHSYSTEMS INC. (MAR)

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

1 (In Part): Basis of Presentation and Significant Accounting Policies

Change in Revenue Recognition - In the fourth quarter of fiscal 1995, the Company applied a new method of accounting to measure the extent of progress toward completion on contracts for a majority of Marine Systems products and a limited number of Defense Systems products. The change in method of revenue recognition results in revenues being recognized based on the ratio of costs incurred to total estimated costs (cost-to-cost) as opposed to units delivered (units-of-delivery). This predominant industry practice provides better matching of revenues and expenses for contracts which exhibit long lead times between contract award and incurrence of costs and the initial delivery of product. Such practice also conforms to the revenue recognition practices of the aerospace operations of Hercules Aerospace Company (Aerospace acquisition) acquired from Hercules Incorporated (Hercules) during fiscal 1995. This change did not have a cumulative effect on beginning retained earnings, but did result in the recognition during fiscal 1995 of approximately $42,000 of sales and $400 in income from operations that otherwise would have been recognized in future periods.

McDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Revenue Recognition
Revenues are recognized on commercial aircraft programs based on sales prices as aircraft are delivered. Cost of sales of the MD-80 and MD-90 aircraft programs are determined on a specific-unit cost method. As described in Note 5, "Contracts in Process and Inventories," effective October 1, 1995, McDonnell Douglas changed its accounting for the MD-11 aircraft program such that cost of sales is determined on a specific-unit cost method. Prior to October 1, 1995, cost of sales of the MD-11 aircraft program was determined on a program-average cost method, and it was computed as a percentage of the sales price of the aircraft. Under the program-average cost method, the percentage was calculated as the total of estimated tooling and production costs for the entire program divided by the estimated sales prices of all aircraft in the program. A constant gross margin was achieved by deferring or accelerating a portion of the average unit cost on each unit delivered.

Revenues, costs, and earnings on government contracts and commercial aircraft programs are based, in part, on estimates. Because of uncertainties inherent in the estimation process as it relates to long-term contracts, it is at least reasonably possible that actual earnings will differ from estimates. Under the prior MD-11 program-average cost method of accounting, such adjustments were made prospectively. Such adjustments on government contracts are made on a cumulative basis whereby the effect of such changes is recognized currently. Losses anticipated on government contracts or commercial programs, excluding period costs, are charged to operations as soon as they are evident.

5 (In Part): Contracts in Process and Inventories

Prior to October 1, 1995, MD-11 production and tooling costs were charged to cost of sales based on the estimated average unit cost for the program. The estimated average unit costs were based on cost estimates of a 301-aircraft program. The costs incurred per unit in excess of the estimated average unit costs were deferred, to be recovered by production and sale of lower-than-average cost units. In applying the program-average method, the Company estimated (a) the number of units to be produced and sold in the program, (b) the rate at which the units were expected to be produced and sold, and thus the period of time to accomplish that, and (c) selling prices, production costs, and the gross profit margin for the total program.

Effective October 1, 1995, McDonnell Douglas changed its accounting for cost of sales on the MD-11 aircraft program from the program-average cost basis to the specific-unit cost basis. At the same time, McDonnell Douglas revalued MD-11 program support costs previously valued in inventories consistent with the program-average cost concept. MD-11 program support costs are now allocated to current production. This change to the specific-unit costing method for the MD-11 program was made in recognition of production rates, existing order base, and length of time required to achieve program deliveries, and thus, the resultant increased difficulty—which became apparent in the fourth quarter of 1995—in making the estimates necessary under the program-average method of accounting. Because the effect of this change in accounting principle was inseparable from the effect of the change in accounting estimate, the change was accounted for as a change in estimate. As a result, McDonnell Douglas recorded a noncash charge to operations of $1,838 million in the fourth quarter of 1995. The effect of the charge was to decrease 1995 net earnings by $1,123 million, or $9.90 per share.

The $1,838 million MD-11 noncash charge included (a) net deferred production costs, which as of September 30, 1995, totaled $1,002 million; (b) a portion of unamortized tooling, which as of September 30, 1995, totaled $243 million; (c) estimates of costs to complete already delivered MD-11 aircraft, which as of September 30, 1995, had been deducted from deferred production costs to arrive at the net amount of $1,002 million; (d) certain sustaining engineering, planning, training, publication, and other MD-11 program support costs, which as of September 30, 1995, had been included in inventories and (e) miscellaneous inventory and other MD-11 associated items.

Revenue Recognition

FORD MOTOR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Revenue Recognition - Automotive
Sales are recorded by the company when products are shipped to dealers, except as described below. Estimated costs for approved sales incentive programs normally are recognized as sales reductions at the time of revenue recognition. Estimated costs for sales incentive programs approved subsequent to the time that related sales were recorded are recognized when the programs are approved.

Beginning December 1, 1995, sales through dealers to certain daily rental companies where the daily rental company has an option to require the company to repurchase vehicles, subject to certain conditions, are recognized over the period of daily rental service in a manner similar to lease accounting. This change in accounting principle was made as a result of the consensus reached on November 15, 1995 by the Emerging Issues Task Force of the Financial Accounting Standards Board on Issue 95-1 concerning the timing of revenue recognition when a manufacturer conditionally guarantees the resale value of a product or agrees to repurchase the product at a fixed price. The company elected to recognize this change in accounting principle on a prospective basis. The effect on the company's 1995 consolidated results of operations was not material, nor is it expected to have a material effect in future years. Implementation of this change will not affect the company's cash flow. Previously, the company recognized revenue for these vehicles when shipped.

Direct-Response Advertising Costs

THE TIMES MIRROR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Changes in Accounting Principles. Effective January 1, 1995, the company changed its method of accounting for certain contract-related revenues from the licensing and sale of training programs and related materials. Prior to 1995, revenues were recognized for licensing fees, as well as the sale of training products and seminars. However, the majority of these contract-related revenues were recognized as licensing fees on the date a noncancelable agreement was signed and a master copy of the training materials was delivered to the customer. As of January 1, 1995, revenues are recognized either when the training products are delivered or the seminars presented, with no revenues recognized for licensing fees. The company believes that this provides for consistent accounting treatment among its professional training companies. The company recorded a cumulative charge of $7,372,000 ($4,511,000 net of taxes, or 4 cents per share) as of January 1, 1995. The effect of this change on 1995 income before cumulative effect of changes in accounting principles was not significant.

Effective January 1, 1995, the company adopted the Financial Accounting Standards Boards Practice Bulletin 13, "Direct-Response Advertising and Probable Future Benefits," which clarified the accounting for direct-response advertising costs. The company's accounting practice prior to 1995 was to capitalize magazine subscription-related direct response advertising costs to the extent that such costs did not exceed estimated future revenues from magazine subscriptions and advertising for the specific direct response efforts. Under the Practice Bulletin 13 interpretation, future estimated advertising revenues may not be included in estimating probable future revenues for purposes of determining whether direct response advertising costs should be capitalized or expensed. The company recorded a cumulative charge of $14,169,000 ($8,213,000 net of taxes, or 7 cents per share) as of January 1, 1995. The effect of this change on 1995 income before cumulative effect of changes in accounting principles was not significant.

Subscription Acquisition Costs

MEREDITH CORPORATION

Consolidated Statements of Earnings

	Years ended June 30		
(In thousands, except per share)	1995	1994	1993
Earnings before cumulative effect of change in accounting principle	$39,845	$27,154	$18,626
Cumulative effect of change in accounting principle	(46,160)	—	—
Net (loss) earnings	$(6,315)	$27,154	$18,626

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 Change in Accounting Policy for Subscription Acquisition Costs

In December 1993, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 93-7, "Reporting on Advertising Costs." The Company adopted SOP 93-7 in fiscal 1994 and believed its policy of capitalizing most magazine subscription acquisition costs and recognizing expense pro rata with the delivery of magazines was materially in compliance with the requirements of SOP 93-7. The statement specifies that direct-response advertising costs should be capitalized if the direct-response advertising can be shown to both (1) result in specific sales and (2) result in probable future benefits (defined as probable future revenues in excess of future

costs incurred to attain those revenues). The Company has two revenue streams related to the sale of magazine subscriptions: subscriber and advertising revenues. The Company believes both types of revenue were related to its direct-response advertising efforts.

In December 1994, the Financial Accounting Standards Board approved the issuance of Practice Bulletin 13, "Direct-Response Advertising and Probable Future Benefits," Practice Bulletin 13 interpreted SOP 93-7 to specify that only "primary revenues" (those revenues from sales to customers receiving and responding to direct-response advertising efforts) could be used in determining probable future revenues and benefits as defined by SOP 93-7. Therefore, in accordance with the requirements of Practice Bulletin 13, the Company now expenses most direct-response subscription acquisition costs as incurred since the primary revenue stream does not support the capitalization of those costs.

The effect of adopting Practice Bulletin 13 on fiscal 1995 earnings before the cumulative effect of the change in accounting principle was additional post-tax expense of $3,071,000, or 11 cents per share. The effect on net earnings (including a non-cash, post-tax charge of $46,160,000 or $1.67 per share, for the cumulative effect as of July 1, 1994) was $49,231,000, or $1.78 per share. The cumulative effect of this change in accounting principle, as of July 1, 1994, on the Company's balance sheet was to reduce subscription acquisition costs by $76.9 million, deferred income tax liabilities by $30.7 million and retained earnings by $46.2 million.

Total advertising expenses included in the Consolidated Statement of Earnings for fiscal 1995 were $173,047,000 (including the cumulative effect of the accounting change). Deferred advertising costs included in the Consolidated Balance Sheet as of June 30, 1995, were not material.

Pro forma amounts (unaudited), assuming the new accounting principle was applied during all periods presented, follow with comparisons to actual results.

	Years ended June 30		
(In thousands, except per share)	1995	1994	1993
Earnings before cumulative effect of change in accounting principle:			
As reported	$39,845	$27,154	$18,626
Pro forma	$39,845	$29,548	$23,155
Net (loss) earnings:			
As reported	$ (6,315)	$27,154	$18,626
Pro forma	$39,845	$29,548	$23,155
Earnings per share before cumulative effect of change in accounting principle:			
As reported	$1.44	$.96	$.61
Pro forma	$1.44	$1.04	$.76
Net (loss) earnings per share:			
As reported	$(.23)	$.96	$.61
Pro forma	$1.44	$1.04	$.76

Sample Costs

SHAW INDUSTRIES, INC. (DEC)

Consolidated Statements of Income

For Years Ended December 30, 1995, December 31, 1994 and January 1, 1994	1995	1994	1993
Income Before Extraordinary Item and Accounting Change	$64,381,000	$130,389,000	$117,636,000
Extraordinary Item, net of tax benefit	—	(3,363,000)	—
Cumulative Effect of Accounting Change, net of tax benefit	(12,077,000)	—	—
Net Income	$52,304,000	$127,026,000	$117,636,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Accounting Change

Effective January 1, 1995, the Company changed its method of accounting for sample costs from expensing sample costs that exceed the estimated net realizable value when shipped to expensing that portion of sample costs as they are produced. This change was made in recognition of an increasing number of samples placed with customers that do not result in future sales. The cumulative effect of the change was to decrease net income for the year ended December 30, 1995 by $12,077,000, or $.09 per share, net of tax benefit of $7,885,000.

Stock-Based Compensation

FOSTER WHEELER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(In Thousands of Dollars, Except per Share Amounts)

14 (In Part): Stock Option Plans

The Corporation has two fixed option plans which reserve shares of common stock for issuance to executives, key employees and directors. The Corporation has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Corporation's two stock option plans been determined based on the fair value at the grant date for awards in 1995 consistent with the provisions of SFAS No. 123, the Corporation's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	1995
Net earnings—as reported........	$28,534
Net earnings—pro forma.........	$24,434
Earnings per share—as reported...	$ 0.79
Earnings per share—pro forma....	$ 0.67

The assumption regarding the stock options issued to executives in 1995 was that 100% of such options vested in 1995, rather than $\frac{1}{3}$ as required by the Plan, since $\frac{1}{3}$ of 1993 and 1994 would have vested in 1995.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1995: dividend yield of 2.21%; expected volatility of 0.3720%; risk-free interest rate of 7.68%; and expected lives of 7.5 years.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Stock Option Plans; Restricted Stock

Executives and other key employees have been granted options to purchase common shares under stock option plans adopted in 1979, 1987 and 1993. In each case, the option price equals the fair market value of the common shares on the day of the grant and an option's maximum term is ten years. Options granted vest ratably over a three-year period. The options include limited stock appreciation rights under which an optionee has the right, in the event common shares are purchased pursuant to a third party tender offer or in the event a merger or similar transaction in which the Corporation shall not survive as a publicly held corporation is approved by the Corporation's shareholders, to relinquish the option and to receive from the Corporation an amount per share equal to the excess of the price payable for a common share in such offer or transaction over the option price per share.

The Corporation has elected early adoption of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," issued in October 1995. In accordance with the provisions of SFAS No. 123, the Corporation applies APB Opinion 25 and related Interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost. If the Corporation had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts indicated in the table below (in millions except per share amounts):

	1995	1994	1993
Net income—as reported	$746.6	271.0	187.9
Net income—pro forma	741.6	266.8	184.7
Earnings per share—as reported	10.65	3.81	2.66
Earnings per share—pro forma	10.60	3.76	2.62

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected dividend yield	3.34%
Expected stock price volatility	22.1%
Risk-free interest rate	6.00%
Expected life of options	3 years

The weighted average fair value of options granted during 1995 is $11.04 per share.

Future Accounting Changes

BANTA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Long-Lived Assets—In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Corporation intends to adopt this standard during the first quarter of 1996. The adoption of this standard is not expected to have a material effect on the Corporation's financial position or results of operations.

Stock Based Compensation—In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." The Corporation intends to adopt this standard in 1996 by making the required note disclosures only. Therefore, the adoption of this standard is not expected to have an effect on the Corporation's financial position or results of operations.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

K. Newly Issued Pronouncements

Accounting for the Impairment of Long-Lived Assets: In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS No. 121). This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS No. 121 requires that long-lived assets to be held and used by the Corporation be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from the assets used is less than the carrying value. The Corporation has evaluated its asset base, under the guidelines established by SFAS No. 121, and determined that no impairment will be required upon adoption effective January 1, 1996.

Accounting for Stock-Based Compensation: In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The statement defines a fair value based method of accounting for an employee stock option. Companies may, however, elect to adopt this new accounting rule through a pro forma disclosure option, while continuing to use the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Under the disclosure option, companies must make pro forma disclosures of net income and earnings per share, as if the fair value method of accounting described below had been applied.

Under the new fair value method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service (or vesting) period. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock.

The Corporation is currently reviewing the effect on its financial statements of a change in accounting principles for stock-based compensation, as compared to using the optional disclosure only method. The adoption of this statement is required, either through adoption or disclosure, for its fiscal year beginning January 1, 1996. The Corporation has not yet decided on which method it will use for adoption of SFAS No. 123.

H.J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Recently Issued Accounting Standards: In March 1995, the Financial Accounting Standards Board issued Financial Accounting Standard ("FAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This statement requires that those assets to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and those assets to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The statement must be adopted no later than Fiscal 1997. The company is currently evaluating the effect that implementation of the new standard will have on its results of operations and financial position.

JOHNSTON INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contributions Made—Statement of Financial Accounting Standards No. 116 ("SFAS 116"), "Accounting for Contributions Received and Contributions Made," establishes standards for accounting and reporting for contributions received and made and is effective for fiscal years beginning after December 15, 1994. The Company expects that there will be no material effect upon implementing SFAS 116 on its financial position or results of operations.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of—Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lives Assets to Be Disposed Of," establishes standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS 121 is effective for fiscal years beginning after December 15, 1995. The Company expects that there will be no material effect upon implementing SFAS 121 on its financial position or results of operations.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11.New Accounting Pronouncements

Impairment of Long-Lived Assets and Those to Be Disposed Of

Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, is effective for fiscal years beginning after December 15, 1995. This Statement requires that long-lived assets and certain identifiable intangibles to be held and used by the Company be reviewed for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Measurement of an impairment loss should be based on the fair value of the asset. This Statement also requires that any such assets that are to be disposed of be reported at the lower of carrying amount or fair value less cost to sell, except for assets covered by Accounting Principles Board ("APB") Opinion No. 30, *Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* Adoption of the Statement is not expected to have a material impact on the Company's financial position and results of operations as no such impairments have been identified at this time.

Stock-Based Compensation

The disclosure requirements of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, are effective for transactions entered into in fiscal years that begin after December 15, 1995. This statement encourages entities to account for employee stock option or similar equity instruments using a fair value approach for all such plans. However, it also allows an entity to continue to measure compensation cost for those plans using the method prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees. Those entities which elect to remain with the accounting in APB No. 25 are required to include pro forma disclosures of net income and earnings per share as if the fair value-based method of accounting had been applied. The Company has elected to continue to account for such plans under the provisions of APB No. 25. Therefore, there will be no effect on the Company's financial position and results of operations as a result of this pronouncement.

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			
	1995	**1994**	**1993**	**1992**
Credit	45	48	50	54
Insurance	26	28	30	35
Leasing	6	8	11	11
Banks	6	5	6	6
Real Estate	9	11	15	16

Consolidation Includes All Subsidiaries

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of American Home Products Corporation and its subsidiaries (the Company). The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates made by management.

As of December 31, 1995, the Company owned approximately 63% of Genetics Institute, Inc. (G.I.) and 53% of Immunex Corporation. The Company holds an option to acquire the remaining shares of G.I. from the public shareholders until December 31, 1996 at prices escalating by approximately $1.84 per quarter, to $85 per share.

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Coherent, Inc. and its majority owned subsidiaries (collectively, the Company). All significant intercompany balances and transactions have been eliminated. The functional currency of the Company's foreign subsidiaries is their respective local currencies. Accordingly, gains and losses from the translation of the financial statements of the foreign subsidiaries are reported as a separate component of stockholders' equity. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies (generally 20-50% ownership), are accounted for by the equity method.

The Company's fiscal year ends on the Saturday nearest to September 30. Consequently, the Company's fiscal years for 1995 and 1993 included 52 weeks and fiscal year 1994 included 53 weeks.

DANA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS (In millions)

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

Principles of Consolidation
Dana's consolidated financial statement include all significant United States (U.S.) and international subsidiaries, including its indirect wholly-owned leasing subsidiary, DCC. Affiliates companies (20% to 50% Dana ownership) are generally recorded in the consolidated statements using the equity method of accounting. Operations of affiliates outside North America accounted for on the equity method of accounting are generally included for periods ended within two months of Dana's year end to ensure preparation of consolidated financial statements on a timely basis. Prior to 1995, consolidated subsidiaries outside of North America were generally included for periods ended within one month of Dana's year end, however, in 1995 the period was changed to eliminate the one month delay. The effect of this change was not material to the consolidated financial statements. Less than 20% owned companies are included in the consolidated financial statements at the cost of Dana's investment. Dividends, royalties and fees from these cost basis affiliates are recorded in Dana's consolidated financial statements when received.

Note 6. International Operations

The following is a summary of the significant financial information of Dana's consolidated international subsidiaries:

	December 31		
	1993	1994	1995
Assets	$1,167.9	$1,518.5	$1,928.9
Liabilities	577.4	814.2	1,113.6
Net sales	1,327.8	1,645.5	2,121.9
Net income	49.3	68.1	119.5
Dana's equity in:			
Net assets	448.7	552.5	662.0
Net income	23.1	38.1	81.7

Cumulative undistributed earnings of international subsidiaries for which U.S. income taxes, exclusive of foreign tax credits, have not been provided approximated $331.3 at December 31, 1995. Management intends to permanently reinvest undistributed earnings of Dana's international subsidiaries, accordingly, no U.S. income taxes have been provided on these undistributed earnings. If the total undistributed earnings of international subsidiaries had been remitted in 1995, a significant amount of the additional tax provision would be offset by foreign tax credits.

Dana's consolidated international subsidiaries are located throughout the world with no individual subsidiary or country accounting for more than 10% of consolidated sales or assets. With the exception of certain affiliates located in South America, the functional currency of the Company's international subsidiaries is the local currency. Certain subsidiaries have transactions in currencies other than their functional currencies and from time to time enter into forward and option contracts to hedge the purchase of inventory or to sell nonfunctional currency receipts. Currency forward and option contracts in the aggregate are not material.

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

	December 31		
	1993	1994	1995
Current assets	$629.0	$409.6	$343.3
Other assets	323.4	356.4	244.2
Current liabilities	577.7	424.7	463.4
Other liabilities	147.5	136.1	54.8
Shareholders' equity	227.2	205.2	69.3
Net sales	972.0	846.8	682.5
Gross profit	193.0	162.3	140.8
Net income (loss)	39.6	40.3	(22.1)
Dana's equity in:			
Net assets	92.3	100.5	44.8
Net income (loss)	13.2	18.9	(8.4)

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All material intercompany accounts and transactions are eliminated. Investments in other affiliated companies in which the Company has at least 20% ownership and does not have management control are accounted for on the equity method. In connection with the discontinuance of the Company's insurance segment, the Company has adopted a classified balance sheet format. Certain prior year amounts have been reclassified to conform with current year presentation.

ROWE FURNITURE CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation. The Consolidated financial statements include the accounts of the Company and subsidiaries. All material intercompany transactions and balances have been eliminated. Effective December 3, 1995, the Company's operating subsidiaries, Rowe Furniture Corporation-Virginia, Rowe Furniture Corporation-Missouri, Salem Frame Company, Inc. and Himmelberger-Harrison Company, Inc. were merged into one operating company, Rowe Manufacturing, Inc., a subsidiary of Rowe Furniture Corporation.

THE L. S. STARRETT COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Principles of Consolidation: The consolidated financial statements include the accounts of The L. S. Starrett Company and subsidiaries, all of which are wholly-owned. All significant intercompany items have been eliminated. The fiscal years of the Company's subsidiaries in Scotland and Brazil end in May and April, respectively.

Consolidation Includes Nonhomogeneous Operations

DAYTON HUDSON CORPORATION (JAN)

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

Summary of Accounting Policies (In Part):

Consolidation. The financial statements include the accounts of the Corporation after elimination of material intercompany balances and transactions. All subsidiaries are wholly owned.

Credit Card Subsidiary

Retailers National Bank (the Bank), a national credit-card bank and a wholly owned subsidiary, was chartered on January 7, 1994. The Bank issues and services the proprietary credit cards of the Corporation's operating divisions. At inception, the Bank acquired the outstanding accounts receivable of Target and DSD and acquired the outstanding accounts receivable of Mervyn's in 1994. In its Statement of Financial Position at January 28, 1995, the Bank reflected the accounts receivable retained after the sale of 80 percent of the accounts receivable to a wholly owned subsidiary of the Corporation (the Affiliate).

In September 1995, the Bank transferred its remaining 20 percent undivided interest to the Affiliate and concurrently purchased a 5 percent undivided interest in the accounts receivable of a newly formed trust, created in connection with the securitization transaction. The Bank continues to service all of the accounts receivable on behalf of the trust. The accounts receivable and all related income and expenses of the Bank and the Affiliate are included in each operating division's results.

Net earnings for the Bank on a stand-alone basis, before intercompany eliminations, were $34 million and $69 million in 1995 and 1994, respectively, and were not ma-

terial in 1993. The following are condensed statements of financial position for the Bank.

Condensed Statements of Financial Position	Feb. 3, 1996	Jan. 28, 1995
Assets:		
Accounts receivable, net	$ 91	$346
Other assets	20	43
Total	$111	$389
Liabilities and investment:		
Liabilities, principally note payable due to the Corporation	$ 89	$207
Investment of the Corporation	22	182
Total	$111	$389

FORD MOTOR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Principles of Consolidation
The consolidated financial statements include all significant majority owned subsidiaries and reflect the operating results, assets, liabilities and cash flows for two business segments: Automotive and Financial Services. The assets and liabilities of the Automotive segment are classified as current or noncurrent, and those of the Financial Services segment are unclassified. Affiliates that are 20% to 50% owned, principally Mazda Motor Corporation and AutoAlliance International Inc., and subsidiaries where control is expected to be temporary, principally investments in certain dealerships, are generally accounted for on an equity basis. For purposes of Notes to Financial Statements, "Ford" or "the company" means Ford Motor Company and its majority owned consolidated subsidiaries unless the context requires otherwise.

Use of estimates and assumptions as determined by management is required in the preparation of consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates and assumptions. Certain amounts for prior periods have been reclassified to conform with 1995 presentations.

SEQUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation
The consolidated financial statements of Sequa Corporation (the Company) include the accounts of all majority-owned subsidiaries, including those of Sequa Receivables Corp. (SRC), a special purpose corporation formed for the sale of eligible receivables. Under the terms of the Receivables Purchase Agreement, SRC's assets will be available to satisfy its obligations to its creditors, which have security interests in certain of SRC's assets, prior to any distribution to the Company. At December 31, 1995 and 1994, SRC had no obligations outstanding to its creditors. All material accounts and transactions between the consolidated subsidiaries have been eliminated in consolidation.

Partnerships Consolidated

FREEPORT-McMORAN INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Presentation. The consolidated financial statements of Freeport-McMoRan Inc. (FTX) include all majority-owned subsidiaries and publicly traded partnerships. Investments in joint ventures and partnerships (other than publicly traded entities) are reflected using the proportionate consolidation method in accordance with standard industry practice. All significant intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the 1995 presentation.

In July 1995, FTX completed the distribution of its ownership in Freeport-McMoRan Copper & Gold Inc. (FCX) in the form of a tax-free dividend to the FTX common stockholders (Note 3). As a result of FTX no longer owning any interest in FCX, FTX's financial statements have been restated to reflect activities related to FCX's operations as discontinued. Except where otherwise indicated, the following notes relate to continuing operations consisting principally of FTX's ownership of Freeport-McMoRan Resource Partners, Limited Partnership (FRP).

2 (In Part): Freeport-McMoRan Resource Partners, Limited Partnership

FTX's fertilizer and sulphur operations and its Main Pass oil operations are conducted through its publicly traded affiliate, FRP. FTX owned 51.5 percent of the FRP units outstanding at December 31, 1995.

In July 1993, FRP and IMC Global Inc. (IGL) formed the IMC-Agrico joint venture, operated by IGL, for their respective phosphate fertilizer businesses, including phosphate rock. FRP's "Current Interest," reflecting cash to be distributed from ongoing operations, initially was 58.6 percent and its "Capital Interest," reflecting the purchase or sale of long-term assets or any required capital contributions, was 46.5 percent. These ownership percentages (53.1 percent and 43.6 percent, respectively, at December 31, 1995) decline in annual increments to 40.6 percent for the fiscal year ending June 30, 1998 and remain constant thereafter. In January 1996, FRP and IGL agreed to an increase in FRP's Current and Capital Interest of 0.85 percent, subject to IGL consummating a merger. At December 31, 1995, FRP's investment in IMC-Agrico totaled $429.2 million. IMC-Agrico's assets are not available to FRP until distributions are paid by the joint venture.

Publicly owned FRP units have cumulative rights to receive quarterly distributions of 60 cents per unit through the distribution for the quarter ending December 31, 1996 before any distributions may be made to FTX. On January 19, 1996, FRP declared a distribution of 62.5 cents per publicly held unit ($31.3 million) and 67.35 cents per FTX-owned unit ($35.9 million), reducing the unpaid distributions to FTX to $379.9 million. Unpaid FTX distributions are recoverable from one-half of any amount by which future quarterly distributable cash exceeds a 60 cents per unit distribution.

In February 1992, FRP sold publicly 19.5 million new units, resulting in a gain to FTX of $136.6 million which was deferred because of the FRP public unitholders' distribution priority. Even though FTX was not paid its proportionate share of FRP distributions, FTX reflected its proportionate share of FRP's earnings through recognition of portions of the deferred gain ($32.6 million in 1994 and $62.2 million in 1993). However, in 1994 the remaining deferred gain was utilized and FTX recognized an additional minority interest charge of $23 million in 1995 and $26.5 million in 1994. In 1996, to the extent that public unitholders receive a disproportionately large share of FRP distributions FTX will recognize a smaller share of FRP's reported earnings than would be represented by its percentage ownership of FRP. To the extent the cumulative unpaid distributions are reduced, FTX will recognize a disproportionately greater share of FRP's reported earnings.

IMC GLOBAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of IMC Global Inc and all subsidiaries which are more than 50 percent owned and controlled. The consolidated financial statements also include the accounts of IMC-Agrico, a joint venture partnership with FRP formed on July 1, 1993. The Company also consolidates its proportionate share of the assets and liabilities of the Company's sulphur venture, while its 25 percent investment in its oil and natural gas venture is accounted for using the equity method. All significant intercompany accounts and transactions are eliminated in consolidation. Certain amounts in the consolidated financial statements for periods prior to June 30, 1995 have been reclassified to conform to the current presentation. The Company's fiscal year ends June 30.

3 (In Part): Joint Venture Partnership

On July 1, 1993, IMC and FRP entered into a joint venture partnership in which both companies contributed their respective phosphate businesses to create IMC-Agrico, a Delaware general partnership, in return for a 56.5 percent and a 43.5 percent economic interest, respectively, in the Partnership. The activities of the Partnership, which is operated by the Company, include the mining and sale of phosphate rock, and the production, distribution and sale of concentrated phosphates, uranium oxide and related products.

For financial reporting purposes, the acquisition of 56.5 percent of FRP's phosphate business net assets is being accounted for as a purchase and resulted in a deferred gain which is recognized in the Consolidated Statement of Operations as the related FRP assets are being used in operations, generally over 20 years. Other operating income and expense, net included $3.0 million from the amortization of such gain for the year ended June 30, 1995 versus $16.0 million (including $12.7 million related to finished goods inventory) in 1994. FRP's 43.5 percent interest in the Partnership has been reported as minority interest in consolidated joint venture on the Company's Consolidated Balance Sheet; and the earnings therefrom have been reported as minority interest in earnings of consolidated joint venture on the Company's Consolidated Statement of Operations.

The Partnership makes cash distributions to each partner based on formulas and sharing ratios as defined in the Partnership agreement. For the year ended June 30, 1995, distributable cash generated by the Partnership totaled $467.4 million, of which $254.9 million was distributed to FRP, including $49.0 million to be distributed in August 1995.

Increase In Ownership Interest

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of American Biltrite Inc. and its wholly-owned subsidiaries (referred to as ABI) as well as entities over which it has voting control. As described in Note 4, ABI in 1995 gained voting control over Congoleum Corporation (Congoleum) and K&M Associates L.P. (K&M). (ABI, Congoleum, and K&M are collectively referred to as the Company). Until 1995, the Company's investments in Congoleum and K&M were accounted for under the equity method and cost method, respectively. Intercompany accounts and transactions, including transactions with associated companies which result in intercompany profit, are eliminated.

CYPRUS AMAX MINERALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The financial statements include the accounts of Cyprus Amax Minerals Company and related entities which it controls. Investments in companies over which the Company can exercise significant influence but not control,

are accounted for using the equity method. Investments in joint ventures are accounted for using proportionate consolidation, consistent with accepted mining industry practice. Also, as the result of the execution of certain financing arrangements which led to an increased ownership position in Amax Gold to 51 percent, Cyprus Amax consolidated Amax Gold effective January 1, 1995.

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 1995 the survey companies reported 32 business combinations accounted for as a pooling of interests of which 13 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

Pooling of interests	**1995**	**1994**	**1993**	**1992**
Prior year financial statements restated	19	7	11	7
Prior year financial statements not restated	13	12	10	10
Total	**32**	**19**	**21**	**17**
Purchase Method	**244**	**215**	**200**	**182**

Pooling of Interests

AMP INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

4 Merger with M/A-COM, Inc.

On June 30, 1995, M/A-COM, Inc. (M/A-COM) was merged with and into the Company through the issuance of 7.6 million shares of AMP common stock which were exchanged for all of the outstanding common shares of M/A-COM. The merger qualifies as a tax-free reorganization and was accounted for as a pooling-of-interests. Accordingly, the Company's financial statements have been restated to include the results of M/A-COM for all periods presented.

As discussed in Note 1, prior to the merger, M/A-COM used a fiscal year ending on the Saturday nearest September 30. Accordingly, the restated financial statements combine the October 1, 1994 and October 2, 1993 financial statements of M/A-COM with the December 31, 1994 and 1993 financial statements of AMP, respectively. Net sales and the net loss of M/A-COM for the three-month period ended December 31, 1994 were $81.6 million and $5.4 million, respectively, with the net loss reflected as an adjustment to retained earnings effective January 1, 1995.

Combined and separate results of AMP and M/A-COM during the periods preceding the merger were as follows (in thousands):

Six Months Ended June 30, 1995 (unaudited)	AMP	M/A-COM	Adjustment	Combined
Sales	$2,440	$192	$—	$2,632
Net income (loss)	233	1	(31)	203
Fiscal Year 1994				
Sales	$4,027	$342	$—	$4,369
Income (loss) before cumulative effect of change in accounting principle	369	4	1	374
Cumulative effect of change in accounting principle	—	3	(3)	—
Net income (loss)	$369	$ 7	$(2)	$ 374
Fiscal Year 1993				
Sales	$3,450	$340	$—	$3,790
Income (loss) before discontinued operations and cumulative effect of change in accounting principle	297	(23)	10	284
Discontinued operations, less income taxes	—	1	(1)	—
Cumulative effect of change in accounting principle	—	—	33	33
Net income (loss)	$ 297	$ (22)	$42	$ 317

The combined financial results presented above include adjustments made to conform the accounting policies of the two companies, as well as transaction fees and one-time expenses associated with the merger. The primary adjustment affecting income was the restatement of M/A-COM's adoption of SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109") due to the reduction of the valuation allowance for deferred tax assets that were not expected to be realized by M/A-COM operating separately. M/A-COM adopted this accounting principle originally at the beginning of its fiscal year 1994; however, the timing of this adoption was changed to the beginning of fiscal year 1993 in order to conform with the timing of AMP's adoption. The effect of this adjustment is reflected as income from the cumulative effect of a change in accounting principle of $35 million and a $7 million reduction in the tax provision in fiscal year 1993 and a $1 million reduction in the tax provision in fiscal year 1994. Prior to the restatement for the M/A-COM merger, AMP's effect of adopting SFAS No. 109, a $2 million charge, was included in income from operations. No intercompany transactions existed between the two companies during the periods presented.

Transaction costs and one-time charges resulting from the merger of $48.7 million ($31 million net-of-tax) include expenses for investment banker and professional fees, severance related costs and charges to standardize the accounting practices of the companies.

HUGHES SUPPLY, INC. (JAN)

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

Note 2 (In Part): Business Combinations

On August 1, 1995, the Company acquired all the common stock of Moore Electric Supply, Inc. ("Moore") in exchange for 316,000 shares of the Company's common stock. Moore is a wholesale distributor of electrical products with five outlets in North Carolina and South Carolina.

On December 18, 1995, the Company acquired all the common stock of Florida Pipe & Supply Company ("FPS") in exchange for 178,000 shares of the Company's common stock. FPS is a wholesale distributor of industrial pipe, valves and fittings with one outlet in Florida.

The above transactions have been accounted for as poolings of interests and, accordingly, the consolidated financial statements for the periods presented have been restated to include the accounts of Moore and FPS. Moore's and FPS's fiscal year ends have been changed to the last Friday in January to conform to the Company's fiscal year end.

Net sales and net income of the separate companies for the periods preceding the acquisitions were as follows:

	Net Sales	Net Income
Six months ended July 31, 1995 (unaudited):		
Hughes, as previously reported	$494,239	$ 6,681
Moore	32,297	1,023
Combined	$526,536	$ 7,704
Nine months ended October 31, 1995 (unaudited):		
Hughes, as previously reported	$805,575	$11,732
FPS	14,762	520
Combined	$820,337	$12,252
Fiscal year ended January 27, 1995:		
Hughes, as previously reported	$802,445	$10,328
Moore	54,115	423
FPS	18,899	734
Combined	$875,459	$11,485
Fiscal year ended January 28, 1994:		
Hughes, as previously reported	$660,938	$ 6,286
Moore	54,854	358
FPS	19,166	(120)
Combined	$734,958	$ 6,524

Purchase Method

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C. 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 payments of $750,000 each become payable if certain sales goals are achieved by BSA in calendar years 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.

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 near Huntsville, Alabama, develops, manufactures, and sells digital data access products that are used to connect high speed digital data equipment.

The BSA and TxPort acquisition were recorded under the purchase method of accounting; and accordingly, the results of operations of BSA and TxPort for the periods from November 1, 1994 and November 21, 1994, respectively, are included in the accompanying consolidated financial statements. The purchase prices have been allocated to assets acquired and liabilities assumed based on fair market value at the dates of acquisition. The fair value of assets acquired and liabilities assumed, after giving effect to the write-off of certain purchased research and development, is summarized as follows (in thousands):

	BSA	TxPort
Current assets	$1,661	$ 7,511
Property, plant, and equipment	595	517
Intangibles	850	3,360
Goodwill	5,475	13,823
Current liabilities	(2,018)	(2,594)
Long-term liabilities	(63)	(1,200)
	$6,500	$21,417

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 test instrumentation for the digital telecommunication and data market, primarily for the telephone operating companies.

In connection with the Company's acquisition of TxPort and Phoenix, certain research and development projects acquired were determined to have no alternative future use. Accordingly, $5,693,000 of purchased research and development was expensed in the first quarter of 1995 as a nonrecurring cost.

BSA is included within the Precision Products segment; TxPort and Phoenix are included within the Telecommunication and Electronic Products segment.

The following unaudited pro forma financial information for the Company gives effect to the BSA and TxPort acquisitions as if they had occurred on October 1, 1993. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on the date indicated, or which may result in the future. The 1995 pro forma information excludes the write-off of certain purchased research and development of $5,383,000, or $.80 per common share, and includes an additional $181,000, or $.02 per common share, for TxPort (for two months), and $58,000, or $.01 per common share, for BSA (for one month). The 1994 pro forma information includes the write-off of certain purchased research and development of $5,383,000, or $.85 per common share, and full year earnings of $1,087,000, or $.17 per common share, for TxPort, and $599,000, or $.10 per common share, for BSA. The 1995 and 1994 pro forma information includes sales of $3,358,000 and $16,441,000, respectively, for TxPort and $715,000 and $7,282,000, respectively, for BSA. The pro forma results follow (in thousands, except per share data):

	Year Ended September 30	
	1995	1994
Net Sales	$124,789	$100,923
Earnings from continuing operations before cumulative effect of accounting changes	9,413	(1,186)
Net earnings (loss)	48,125	(27,118)
Per share data:		
Earnings from continuing operations before cumulative effect of accounting changes	1.39	(.23)
Net earnings (loss)	7.13	(4.35)

AMDAHL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Acquisition of DMR Group Inc.

On November 15, 1995 the Company acquired all of the outstanding shares of DMR Group Inc. (DMR), a multinational information technology consulting company, for $140 million. The acquisition was funded with existing cash. The results of DMR's operations have been combined with those of the Company since the date of acquisition.

The acquisition was accounted for using the purchase method of accounting. Accordingly, a portion of the purchase price was allocated to the net assets acquired based on their estimated fair values. The fair value of tangible assets acquired and liabilities assumed was $60 million and $55 million, respectively. In addition, $27 million of the purchase price was allocated to in-process engineering and development projects that had not reached technological feasibility and had no probable alternative future uses, which the Company expensed at the date of acquisition. The balance of the purchase price, $108 million, was recorded as excess of cost over net assets acquired (goodwill) and is being amortized over twenty-five years on a straight-line basis.

The following table reflects unaudited pro forma combined results of operations of the Company and DMR on the basis that the acquisition had taken place and the related charge, noted above, was recorded at the beginning of the fiscal year for each of the periods presented:

(Dollars in thousands, except per common share amounts)	1995	1994
Revenues	$1,693,912	$1,857,880
Net income	20,783	38,777
Net income per common share	$.17	$.33
Shares used in computation	120,383,000	118,909,000

In management's opinion, the unaudited pro forma combined results of operations are not indicative of the actual results that would have occurred had the acquisition been consummated at the beginning of 1994 or at the beginning of 1995 or of future operations of the combined companies under the ownership and management of the Company.

CPC INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions and Joint Ventures (In Part):

On October 2, 1995, the Company acquired a nationwide baking business from Kraft Foods, Inc. (the acquired baking business), for approximately $865 million. This business, which has annual sales of $1.2 billion, includes four major market-leading brands: *Entenmann's* sweet baked products, *Freihofer's* and *Oroweat* breads, and *Boboli* Italian bread shells. This acquisition has been accounted for under the purchase method and the results of the operations of the acquired baking business have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated based on estimated fair values at the date of acquisition. This resulted in an excess of purchase price over assets acquired of $471 million, which 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 the acquired baking business as if the acquisition had occurred January 1, 1994.

(Millions except per share amounts)	1995	1994
Net sales	$9,336	$8,569
Net income	$ 514	$ 362
Earnings per common share	$ 3.44	$ 2.36

These unaudited 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 an increased interest expense on acquisition debt. They do not purport to be in-

dicative of the results of operations which actually would have resulted had the combination been in effect on January 1, 1994, or of future results of operations of the consolidated entities.

In conjunction with this acquisition, the Company recorded a fourth-quarter integration charge of $55 million, $34 million after taxes or $.23 per common share, to cover the anticipated costs of combining its existing baking business with the acquired baking business. The charge relates to the closure of duplicate administrative, warehouse, and plant facilities belonging to CPC's existing baking business, the consolidation of redundant business systems, and the reduction of some CPC baking personnel performing duplicate tasks. The composition of this charge was as follows: $16 million for plant and properties, $12 million for severance, and $27 million for relocation, consolidation, and related expenses. The latter two items were unused at December 31, 1995. Approximately 200 employees will be affected by this program.

CARPENTER TECHNOLOGY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisitions of Businesses

During fiscal 1995 and 1994, the Company acquired the entities described below, which were accounted for by the purchase method of accounting:

On July 22, 1994, the Company acquired all of the outstanding shares of Certech, Inc., and an affiliated company, for $16.7 million, including acquisition costs, comprised of $13.5 million in cash and 106,248 shares of treasury common stock. Certech manufactures a broad line of complex injection molded ceramics parts. The excess of 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.

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 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.

Fiscal 1995 also includes other acquisitions which are immaterial.

The purchase prices have been allocated to the assets purchased and the liabilities assumed based upon the fair values on the dates of acquisition, as follows:

(In thousands)	1995	1994
Working capital, other than cash	$ 1,894	$ 6,552
Property, plant and equipment	10,200	6,634
Other assets	1,740	2,661
Goodwill	8,154	8,213
Other liabilities	(5,756)	(1,737)
Purchase price, net of cash received	$16,232	$22,323

The operating results of these acquired businesses have been included in the consolidated statement of income from the dates of acquisition. On the basis of a pro forma consolidation of the results of operations as if the acquisitions had taken place at the beginning of fiscal 1994, consolidated net sales would have been $759.0 million for fiscal 1995, and $654.0 million for fiscal 1994. Consolidated pro forma income and earnings per share, before the extraordinary charge, would not have been materially different from the reported amounts for fiscal 1995 and 1994. Such pro forma amounts are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisitions had been effective at the beginning of fiscal 1994.

DANAHER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisitions:

The Company obtained control of Joslyn Corporation (Joslyn) as of September 1, 1995 when Joslyn's shareholders tendered approximately 75% of the outstanding shares to Danaher for $34 per share in cash. The remaining 25% was acquired in October, 1995. Total consideration for Joslyn was approximately $245 million. The fair value of assets acquired was approximately $345 million and approximately $100 million of liabilities were assumed. The transaction was accounted for as a step acquisition purchase. Results of operations reflect a minority interest elimination for the two-month period between the change in control and the merger of Joslyn. The purchase price allocations have been completed on

a preliminary basis, subject to adjustment should new or additional facts about the businesses become known.

The unaudited pro forma information for the periods set forth below give effect to the transaction as if it had occurred at the beginning of each period. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time. Joslyn's $35 million ($21 million after tax benefit or $.36 per share) provision for environmental remediation associated with sites previously owned by Joslyn is reflected in the 1994 amount (unaudited, 000's omitted):

Year Ended	December 31,1995	December 31, 1994
Net Sales	$1,640,554	$1,330,150
Net Earnings	109,919	59,696
Earnings per share	$ 1.84	$ 1.02

In 1994, the company acquired Delta Consolidated Industries, Hengstler GmbH, Armstrong Brothers Tool Company and several smaller entities. Aggregate consideration for these transactions was approximately $167 million, consisting of $136 million in cash and $31 million in common stock. The fair value of the assets acquired was approximately $240 million and approximately $73 million of liabilities were assumed in these acquisitions. The transactions have been accounted for as purchases. These acquisitions had no significant impact on 1994 results of operations as the larger acquisitions were not completed until the fourth quarter. These entities have combined annual sales levels of approximately $220 million.

In 1993, the Company acquired certain businesses for its process/environmental controls segment. Annual sales levels of the acquired businesses are approximately $65 million. The transactions have been accounted for as purchases.

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Acquisitions:

Lasertron

On September 6, 1995, the Company acquired all of the common stock of Lasertron, Inc. ("Lasertron"), a Bedford, Massachusetts manufacturer of fiber optic components for the telecommunications and CATV industries for approximately $108,238,000 cash, including transaction expenses. Lasertron had cash of $8,219,000 at the time of the acquisition. In addition, the Company assumed all of the outstanding and unexercised stock options under Lasertron's existing stock option plans (see Note 7). Upon exercise of such options, option holders shall receive shares of the Company's common stock, adjusted to take into account the relative share prices of the Company and Lasertron at the acquisition date. The Company has recorded a liability of approximately $6,150,000 related to this obligation.

The acquisition was accounted for as a purchase and, accordingly, operating results of this business subsequent to the date of acquisition were included in the Company's consolidated financial statements. The excess purchase price over fair value of the net tangible assets acquired was $86,705,000 of which $80,872,000 was allocated to purchased in-process research and development and $5,833,000 was allocated to goodwill and other intangible assets. The purchased in-process research and development was charged to operations upon acquisition, and the goodwill and other intangible assets are being amortized over 3 to 10 years.

The purchase price was financed with (i) the proceeds from a $60,000,000 term loan and $20,000,000 of a $40,000,000 revolving credit facility and (ii) cash of $28,238,000 held by the Company.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and Lasertron as if the acquisition had occurred at the beginning of 1995 and 1994, after giving effect to certain adjustments, including amortization of intangible assets, increased interest expense on the acquisition debt, and related income tax effects. The pro forma summary does not necessarily reflect the results of operations as they would have been if the Company and Lasertron had constituted a single entity during such periods.

(Dollars in thousands, except per share amounts)

	Year Ended December 31, (unaudited) 1995	1994
Net sales	$299,106	$278,751
Loss from operations before extraordinary charge	$(54,267)	$(40,487)
Net loss	$(55,877)	$(42,097)
Loss from operations before extraordinary charge per common share	$(2.94)	$(2.18)
Net loss per common share	$(3.03)	$(2.27)

ROCKWELL INTERNATIONAL CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

2. Acquisitions of Businesses

In January 1995, the company completed its acquisition of Reliance Electric Company (Reliance), a major manufacturer of industrial products and telecommunications equipment for $1,586 million. The purchase price was financed through $311 million of short-term borrowings, $800 million of long-term debt, and $475 million of proceeds from the August 1995 sale of Reliance's telecommunications business. The company's results of operations do not include the results of Reliance's telecommunications business or the interest expense related to the short-term borrowings that were repaid with the sale proceeds.

The acquisition of Reliance was accounted for as a purchase as of December 31, 1994 and the results of operations of Reliance have been included since that date. The purchase price exceeded the fair value of net assets acquired by $880 million, which is recognized as goodwill and is being amortized over 40 years.

The following unaudited pro forma information has been prepared assuming Reliance had been acquired and its telecommunications business had been sold as of the beginning of the periods presented. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of those dates. In addition, the pro forma information is not intended to be a projection of future results and does not reflect synergies expected to result from the integration of Reliance and the company's Automation business.

Pro Forma Information (Unaudited) *(In millions, except per share)* *Years Ended September 30*	1995	1994
Sales and other income	$13,428	$12,443
Net income	742	600
Earnings per common share:		
Primary	3.42	2.72
Fully diluted	3.36	2.67

The company also acquired several other businesses at a net cost of $121 million. The results of operations of these businesses were not material in relation to the company's consolidated results of operations.

RYKOFF-SEXTON, INC. (APR)

NOTES TO FINANCIAL STATEMENTS

Note 2. Acquisition

On February 21, 1995, the Company acquired substantially all of the assets of Continental Foods, Inc., (Continental), a privately owned Maryland corporation. Continental is a regional, institutional foodservice distributor.

For financial statement purposes the acquisition was accounted for as a purchase and, accordingly, Continental's results are included in the consolidated financial statements since the date of acquisition. The aggregate purchase price was approximately $27,000,000, which includes costs of acquisition. The aggregate purchase price, which was financed through available cash resources and issuance of a promissory note, has been allocated to the assets of the company, based upon their respective fair market values. The financial statements reflect the preliminary allocation of purchase price as the purchase price allocation has not been finalized. The excess of the purchase price over assets acquired approximated $21,200,000 and is being amortized over forty years.

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

(Dollars in thousands)	
Fair value of assets acquired	$39,647
Unsecured note issued at acquisition date	(2,425)
Cash paid	(24,836)
Liabilities assumed	$12,386

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisition of Continental had occurred at the beginning of fiscal 1995 and 1994:

Pro Forma Years Ended *(Dollars in thousands except per share data)*	April 29, 1995	April 30, 1994
Net sales	$1,647,850	$1,535,244
Net income from continuing operations	10,456	4,645
Net income per share from continuing operations	$ .71	$ .32

The pro forma consolidated results do not purport to be indicative of results that would have occurred had the acquisition been in effect for the periods presented, nor do they purport to be indicative of the results that will be obtained in the future.

Formation of Jointly Owned Company

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Equity Earnings From Affiliates

On December 29, 1995, the company entered into a business combination with Dal-Tile International Inc. The transaction was accounted for at fair value and involved the exchange of $27.6 million and the stock of the ceramic tile operations, consisting primarily of American Olean Tile Company, a wholly-owned subsidiary, for ownership of 37% of the shares of Dal-Tile. The company's investment in Dal-Tile exceeds the underlying equity in net assets by $123.9 million which will be amortized over a period of 30 years. The after-tax loss on the transaction was $116.8 million.

Results from ceramic tile operations, which were previously reported on a consolidated basis, were restated and included in "Equity Earnings from Affiliates." Going forward, Armstrong's 37% ownership of the combined

Dal-Tile will be accounted for under the equity method. The summarized financial information for ceramic tile operations is presented below:

(Millions)	1995	1994	1993
Net sales	$240.0	$220.2	$210.7
Operating income (loss)[1]	8.8	.8	(44.3)
Assets[2]	269.8	290.1	276.3
Liabilities[2]	17.3	19.6	24.4

Note 1: Excludes 1995 loss of $177.2 million due to ceramic tile business combination.

Note 2: 1995 balances were as of December 29, 1995, immediately prior to the ceramic tile business combination.

Also included in equity earnings from affiliates are earnings from the 50% interest in the WAVE joint venture with Worthington Industries. Previously these earnings had been included in selling, general and administrative expenses.

Adjustment of Previously Determined Asset Values

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

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

2 (In Part): Acquisitions

DEA

Brown & Sharpe Manufacturing Company, together with its subsidiary Brown & Sharpe International Capital Corporation, acquired on September 28, 1994, the stock of DEA S.p.A., an Italian corporation, and its related metrology business from Finmeccanica S.p.A., an Italian corporation, for 3,450,000 shares of Class A common stock with a market value amounting to $22,856. In addition, the Company incurred professional accounting, legal, and other costs of $2,301 in conjunction with the acquisition which have been accounted for as part of the purchase price. The acquisition has been accounted for as a purchase. Accordingly, the Company's consolidated balance sheet at October 1, 1994 included the assets and liabilities of DEA S.p.A. and its subsidiaries. The Company's consolidated statements of operations and cash flows includes the results of operation of DEA S.p.A. and its subsidiaries commencing October 2, 1994.

The DEA purchase agreement provided for a post-closing adjustment to the purchase price based upon the final valuation of the acquired assets and assumed liabilities which occurred in 1995. No such adjustment was made. However, differences in final valuation calculations resulted in a settlement whereby Finmeccanica S.p.A. waived lease payments of approximately $1,000 for a DEA facility leased from Finmeccanica. (See Note 12).

Because DEA was acquired late in 1994 and was a complex worldwide operation that required a comprehensive review of asset values and liabilities and a significant part of the study had to take into consideration the integration of DEA into the Measuring Systems Group, the final assessment of asset values, restructuring the manufacturing and marketing organization, and making other necessary changes was not completed until the third quarter of 1995. The determination of the final fair values resulted in adjustments consisting of changes from initially determined values as of September 28, 1994 amounting to an increase in goodwill; property, plant and equipment; deferred income taxes; and other assets amounting to $10,360, $4,142, $1,800, and $1,044, respectively, and a decrease in inventory and accounts receivable amounting to $12,582 and $1,175, respectively. Adjustments to other balance sheet amounts were individually not significant.

As a result of the adjustments to the preliminary 1994 estimates, net income for 1995 increased approximately $350 ($.04 per share).

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 annual reports of the survey companies.

Examples of contingency disclosures, except for tax carryforwards, follow. Examples of operating loss carry forwards are presented with the discussion of income tax expense in Section 3.

TABLE 1-11: CONTINGENCIES

	Number of Companies			
	1995	1994	1993	1992
Loss Contingencies				
Litigation	422	407	386	366
Environmental	291	292	276	233
Insurance	64	59	46	47
Possible tax assessments	61	62	56	57
Government investigations	34	28	34	30
Other-described	69	68	65	52
Gain Contingencies				
Operating loss carryforward	282	279	268	226
Investment credit carryforward	43	43	64	58
Plaintiff litigation	47	44	43	47
Other-described	11	12	9	15

LOSS CONTINGENCIES

Litigation

ALLIEDSIGNAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 19 (in part): 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 was 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 January 4, 1996, the United States Court of Appeals for the Federal Circuit affirmed the District Court's ruling.

BINKS MANUFACTURING COMPANY (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Contingencies

On June 30, 1995, the Court of Appeals for the Federal Circuit, in *Graco, Inc. v. Binks Manufacturing Company,* vacated a judgment of infringement and an award of $2.75 million against the Company regarding certain pumps sold prior to June 1993. The United States District Court for the Southern District of Texas previously found that the Company had "willfully" infringed a patent and awarded Graco treble damages, attorney fees and costs. The Federal Circuit reversed the district court's finding that Binks "willfully" infringed Graco's patent and the resulting enhancement of damages and award of attorneys' fees. The Federal Circuit remanded the case for findings on the issues of whether the patent was valid and infringed. Graco asserts that on remand it will seek damages and interest of approximately $750,000. The Company believes that there are meritorious defenses to these claims and thus no provision for any liability has been made in the financial statements.

The Company is the defendant in a lawsuit filed by former financial advisors seeking approximately $900,000 under terms of a contract. Management believes that all required payments have been made and no further amounts have been provided for.

The Company has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position or results of operations of the Company.

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Litigation

In prior years, the company was party to certain patent litigation. During 1994, the judgments granted to the company by United States District Courts were reversed by the United States Court of Appeals (Appeals Court). The company petitioned the United States Supreme Court to hear the cases and was denied a hearing. Additionally, during 1994, the Appeals Court upheld a judg-

ment against the company and required the company to pay approximately $1.3 million to the plaintiff.

On November 22, 1995, certain attorneys, previously engaged by the company in connection with prior patent litigation, filed suit against the company in the Circuit Court of Cook County, Illinois, seeking to recover approximately $1.4 million of legal fees and costs alleged to be owing by the company, together with prejudgment and postjudgment interest and other costs. The company has filed counterclaims against the law firm for negligence and legal malpractice. The company seeks an unspecified amount of monetary damages, disgorgement of all legal fees collected, punitive damages, prejudgment interest and other costs, and is seeking removal of the case to the United States District Court for the Northern District of Illinois, Eastern Division.

There are numerous other claims and pending legal proceedings that generally involve product liability and employment issues. These cases are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the company. In the opinion of the company's management after consultation with outside legal counsel, the ultimate disposition of such proceedings, including the case above, will not have a materially adverse effect on the company's consolidated financial position or future results of operations.

DANAHER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (in part): Litigation and Contingencies

A former subsidiary of the Company is engaged in litigation in multiple 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 multiple 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 designs 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.

A subsidiary, Joslyn Manufacturing Company (JMC), previously operated wood treating facilities that chemically preserved utility poles, pilings and railroad ties. All such treating operations were discontinued or sold prior to 1982. These facilities used wood preservatives that included creosote, pentachlorophenol and chromium-arsenic-copper. While preservatives were handled in accordance with all appropriate procedures called for at the time, subsequent changes in environmental laws may require the generators of these spent preservatives to be responsible for the cost of remedial actions at the sites where spent preservatives have been deposited. The Company is continuing its investigation of these sites and remediation technologies. The Company has made a provision for environmental compliance; however, there can be no assurance that estimates of environmental liabilities will not change.

JMC is a defendant in a class action tort suit. The suit alleges exposure to chemicals and property devaluation resulting from wood treating operations previously conducted at a Louisiana site. Both the size of the class and the damages are uncertain. The Company has tendered the defense of the suit to its insurance carrier. The Company believes that it may have adequate insurance coverage for the litigation; however, because of the above uncertainties, the Company is unable to determine at this time the potential liability, if any.

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.

HARRIS CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Contingencies Resulting from Discontinued Operation

In 1993, a jury in a California state court awarded a California software company $13.4 million in compensatory damages and $85.0 million in punitive damages against the Corporation. The court reduced the punitive damages to $53.4 million, and entered judgment for the compensatory and punitive damages, together with interest and costs of suit. The suit arose from a contract between the plaintiff and a discontinued operation of the Corporation. The Corporation believes the judgment is unjustified and has appealed to the California Court of Appeals. The plaintiff has filed a separate appeal seeking reinstatement of the original punitive damage award. The appeals court is expected to render its decision by June 1996. No provisions beyond those already provided as part of prior discontinued operation charges have been made in the accompanying consolidated financial statements. Prior discontinued operation charges included legal costs the Corporation expects to incur in defending itself in this matter.

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (in part): Commitments and Contingent Liabilities

Litigation and Environmental Matters

The Company is a party to various legal proceedings generally incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. During 1994, James River was sued in Morgan County, Alabama, in a purported class action and in Bridgeport, Connecticut, by certain former holders of James River's 10% Debentures due October 1, 2018. Most of these Debentures were retired by means of a tender offer to all holders which commenced on September 18, 1992. The remainder were redeemed on November 2, 1992. Merrill Lynch & Co., which acted as James River's dealer manager for the tender, is also named as a defendant in the Alabama case. In general, the complaints allege violations of a covenant prohibiting use of lower cost borrowed funds to redeem the Debentures before October 1, 1998, and of various disclosure obligations, and seek damages in excess of $50 million plus punitive damages in excess of $500 million. James River believes that these claims are without merit and intends to defend them vigorously. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the present opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a materially adverse effect on the consolidated financial condition of James River but could materially affect consolidated results of operations in a given year.

MERCK & CO., INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Contingent Liabilities

The Company is involved in various claims and legal proceedings of a nature considered normal to its business, principally product liability and intellectual property cases. Additionally, the Company, along with numerous other defendants, is a party in several antitrust actions brought by retail pharmacies and consumers, alleging conspiracies in restraint of trade and price discrimination, one of which has been certified as a Federal class action and three of which have been certified as state class actions. The Company and several other defendants have entered into an agreement, subject to court approval, to settle the Federal class action alleging conspiracy, pursuant to which the Company would pay $51.8 million, payable in four equal annual installments. The Company has not engaged in any conspiracy and no admission of wrongdoing has been made or is included in the agreement, which was entered into in order to avoid the cost of litigation and the risk of an inaccurate adverse verdict by a jury presented by a case of this size and complexity. While it is not feasible to predict or determine the final outcome of these proceedings, management does not believe that they should result in a materially adverse effect on the Company's financial position, results of operations or liquidity.

THE QUAKER OATS COMPANY (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 18. Litigation

On December 18, 1990, Judge Prentice H. Marshall of the United States District Court for the Northern District of Illinois entered judgment against the Company in favor of Sands, Taylor & Wood Co., holding that the use of the words "thirst aid" in advertising *Gatorade* thirst quencher infringed the Plaintiff's rights in the trademark THIRST-AID. On July 9, 1991, Judge Marshall entered a judgment of $42.6 million, composed of $31.4 million in principal, prejudgment interest of $10.6 million, and fees, expenses and costs of $0.6 million. The order enjoined use of the phrase "THIRST-AID" in connection with the advertising or sale of *Gatorade* thirst quencher in the United States. The Company appealed the judgment. On September 2, 1992, the Court of Appeals for the Seventh Circuit affirmed the finding of infringement, but found that the monetary award was an inequitable "windfall" to the Plaintiff, and it therefore remanded the case to the District Court. On June 7, 1993, Judge Marshall issued a judgment on remand of $26.5 million, composed of $20.7 million in principal, prejudgment interest of $5.4 million, and fees, expenses and costs of $0.4 million. The Company appealed this judgment. On September 13, 1994, the Court of Appeals affirmed the lower court's award of a reasonable royalty and prejudgment interest, but again remanded the case to allow the District Court to explain the enhancement of the royalty award. On April 11, 1995, Judge Marshall affirmed his prior ruling and the Company filed another appeal. Management, with advice from outside legal counsel, has determined that the Court of Appeals' opinion appears to indicate a range of exposure between $18 million and $30 million. The Company recorded a provision of $29.0 million for this litigation in fiscal 1995.

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

RAYCHEM CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (in part)

Additionally, the company and its subsidiaries have been named as defendants in lawsuits arising from various commercial matters, including product liability. The principal product liability litigation involves a variety of claims arising from the company's heat-tracing and freeze-protection products. The only such action in which material damages are alleged seeks in excess of $25 million, but the claim has not progressed sufficiently for the company to estimate a range of possible loss, if any. The company intends to defend itself vigorously in these matters. The

company's experience to date is that losses, if any, from such claims have not had, nor are they expected to have, a material effect on the company's financial position or results of operations. The company maintains insurance to cover product liability claims.

In the second quarter of 1992, the company and its insurer reached settlement with the plaintiffs in a class action securities suit. The settlement totaled $19.5 million, which was funded $8.25 million by the company and $11.25 million by its insurer. The company expects to recover a portion of its funding, either through litigation or when a definitive agreement is reached with its insurer, and has filed suit against its insurer to resolve this issue. Recovery, if any, will be recorded when received.

Legal proceedings tend to be unpredictable and costly. Based on currently available information, however, management believes that the resolution of pending claims, regulatory inquiries, and legal proceedings will not have a material adverse effect on the company's operating results or financial position.

A.O. SMITH CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

13 (In Part): Litigation and Insurance Matters

As of December 31, 1995, the corporation and A.O. Smith Harvestore Products, Inc. (Harvestore), a subsidiary of the corporation, were defendants in eight cases alleging damages for economic losses claimed to have arisen out of alleged defects in Harvestore animal feed storage equipment. Some plaintiffs are seeking punitive as well as compensatory damages. The corporation believes that a significant number of these claims were related to the deteriorated general farm economy. In 1995, fifteen cases were concluded. The corporation and Harvestore continue to vigorously defend these cases.

Two of the eight pending cases contain class action allegations. One of the cases is a New York state court action which names the corporation, Harvestore, and two of its dealers as defendants. The court has denied the plaintiffs' motion to certify the class and has granted the defendants' motions dismissing some of the plaintiffs' allegations. The plaintiffs are appealing the court's rulings.

The second case is pending in the Federal District Court for the Southern District of Ohio. It was filed in August 1992 and the court, in March 1994, conditionally certified it as a class action on behalf of purchasers and lessees of Harverstore structures manufactured by the corporation and Harvestore. A notice of the certification was mailed to the purported class members in the third quarter of 1994, with approximately 5,500 "opt out" forms being filed with the court, the impact of which is unknown. The court canceled a previously set trial date as a result of motions the corporation filed seeking summary judgment or in the alternative decertification of the class. The corporation is awaiting a ruling.

Based on the facts currently available to management and its prior experience with lawsuits alleging damages for economic loss resulting from use of the Harvestore animal feed storage equipment, management is confident that the class action suits can be defeated and that the lawsuits do not represent a material threat to the corporation. The corporation believes that any damages, including any punitive damages, arising out of the pending cases are adequately covered by insurance and recorded accruals. No range of reasonably possible losses can be estimated because in most instances the complaint is silent as to the amount of the claim or states it as an unspecified amount in excess of the jurisdictional minimum. The corporation reevaluates its exposure periodically.

TRINITY INDUSTRIES, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

In May 1994, a jury sitting in the United States District Court for the Southern District of New York returned a verdict against the Company in an action brought by Morse-Diesel, Inc. for damages allegedly caused in the construction of the Marriott Marquis Hotel in Times Square, New York City, New York. Judgment against Trinity was entered in February, 1995 in the amount of approximately sixty million dollars including interest accrued to that date. Appeal of the jury verdict is pending before the Second Circuit Court of Appeals. Trinity has been advised by legal counsel that it has substantial defenses and remedies available, and it is pursuing all available avenues in the post-trial and appellate review processes.

Trinity has not been involved in the fabrication of structural steel for multi-story buildings since 1989.

While the ultimate liability in this matter is difficult to assess, it is management's belief that the final outcome is not reasonably likely to have a material adverse effect on the Company's consolidated financial position.

The Company is involved in various other claims and lawsuits incidental to its business. In the opinion of management, these claims and suits in the aggregate will not have a material adverse effect on the Company's consolidated financial statements.

Environmental Matters

AVERY DENNISON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Environmental Expenditures

Environmental expenditures that do not contribute to current or future revenue generation are expensed. Expenditures for newly acquired assets and those which extend or improve the economic useful life of existing assets are capitalized and amortized over the remaining asset life. The Company reviews, on a quarterly basis, its estimates of costs of compliance with environmental laws and the cleanup of various sites, including sites in

which governmental agencies have designated the Company as a potentially responsible party. When it is probable that obligations have been incurred and where a minimum cost or a reasonable estimate of the cost of compliance or remediation can be determined, the applicable amount is accrued. For other potential liabilities, the timing of accruals coincides with the related ongoing site assessments. Potential insurance reimbursements are not recorded or offset against the liabilities until received, and liabilities are not discounted.

Note 8. Contingencies

The Company has been designated by the U.S. Environmental Protection Agency (EPA) and/or other responsible state agencies as a potentially responsible party (PRP) at 16 waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of the Company's liability has been agreed upon. Litigation has been initiated by a governmental authority with respect to three of these sits, but the Company does not believe that any such proceedings will result in the imposition of monetary sanctions. The Company is participating with other PRPs at all such sites, and anticipates that its share of cleanup costs will be determined pursuant to remedial agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

The Company has accrued liabilities for all sites, including sites in which governmental agencies have designated the Company as a PRP, where it is probable that a loss will be incurred and the minimum cost or amount of loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate the currently identified sites, and sites which could be identified in the future for cleanup, could be higher than the liability currently accrued.

The Company and its subsidiaries are involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of the business. In the opinion of management, the resolution of these matters will not materially affect the financial position, results of operations or liquidity of the Company.

BAKER HUGHES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Environmental matters: Remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred.

Note 13. Environmental Matters

The Company's past and present operations include activities which are subject to extensive federal and state environmental regulations.

The Company has been identified as a potentially responsible party ("PRP") in remedial activities related to various "Superfund" sites. Applicable federal law imposes joint and several liability on each PRP for the cleanup of these sites leaving the Company with the uncertainty that it may be responsible for the remediation cost attributable to other PRPs who are unable to pay their share of the remediation costs. Generally, the Company has determined its share of such total cost based on the ratio that the number of gallons of waste estimated to be contributed to the site by the Company bears to the total number of gallons of waste estimated to have been disposed at the site. The Company has accrued what it believes to be its share of the total cost of remediation of these Superfund sites. No accrual has been made under the joint and several liability concept since the Company believes that the probability that it will have to pay material costs above its share is remote due to the fact that the other PRPs have substantial assets available to satisfy their obligation.

At September 30, 1995 and 1994, the Company had accrued approximately $13.3 million and $18.8 million, respectively, for remediation costs, including the Superfund sites referred to above. The measurement of the accruals for remediation costs is subject to uncertainties, including the evolving nature of environmental regulations and the difficulty in estimating the extent and remedy of agreements that may be available to the Company to mitigate the remediation costs, such amounts have not been considered in measuring the remediation accrual. The Company believes that the likelihood of material losses in excess of those amounts recorded is remote.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Commitments And Contingencies

The corporation is involved in environmental remediation and ongoing compliance at several sites. The corporation has completed remediation efforts at its closed New York tannery and two associated landfills. As such, in September 1995, state environmental authorities reclassified the status of the site to one that has been properly closed and that requires only continued maintenance and monitoring. This change in status has allowed the corporation to reliably estimate the future liability for monitoring and maintenance, which is required over the next 28 years, based on a specific site plan. Accordingly, in the third quarter of 1995, the estimated liability of $5.3 million related to this site was discounted, using a 6.4% rate, resulting in a $2.0 million reduction in the previously recorded liability of $4.7 million. This increase in earnings was included in "Other Expense (Income)" on the Consolidated Statements of Earnings. Charges related to the New York tannery site were $1.7 million in fiscal 1992 and an additional $6.6 million in fiscal 1993 due to a change in the expected holding period of the property.

The 1993 charge included $5.0 million recorded in conjunction with restructuring charges in January 1994.

The expected payments for the next five years are approximately $.2 million per year with the balance due thereafter.

In 1994, the corporation became aware of the potential exposure at an owned factory that is currently leased to another party. Preliminary testing was completed in late 1994, and remediation work began in 1995. In addition, various federal and state authorities have identified the corporation as a potentially responsible party for remediation at certain landfills from disposal of solvents and other by-products from the closed tannery and shoe manufacturing facilities. The expected remaining costs related to the owned, but leased, factory and the various landfills total $.8-$1.0 million. At February 3, 1996, the total accrued environmental liabilities for all sites, including the above discounted liability, total $3.1 million.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 16. Environmental Liabilities

The company has been designated as a potentially responsible party by the U.S. Environmental Protection Agency (the "EPA") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and by certain states under applicable state laws, with respect to the cleanup of hazardous substances at a number of sites. In the case of many of these sites, other potentially responsible parties also have been so designated. In addition, the company and, in certain instances, other responsible parties have entered into agreements with the EPA and certain states regarding the cleanup of hazardous substances at various other locations. Also, the company is involved in the remediation of certain other sites which are not the subject of investigation by federal or state agencies.

The company cannot predict with certainty the total cost of such cleanups, the company's share of the total cost of multiparty cleanups or the extent to which contribution will be available from other parties, or the amount of time necessary to accomplish such cleanups. However, based upon, among other things, its previous experience with respect to the cleanup of hazardous substances as well as the regular detailed review of known hazardous waste sites by the company, the company has accrued $73 million at December 31, 1995, which represents its current estimate of the probable cleanup liabilities, including remediation and legal costs, at all known sites. This accrual does not reflect any possible future insurance recoveries, which are not expected to be significant, but does reflect a reasonable estimate of cost-sharing at multiparty sites.

Although the company's probable liabilities have been accrued for currently, hazardous substance cleanup expenditures generally are paid over an extended period of time, in some cases possibly more than 30 years. Annual cleanup expenditures during the period from 1993 through 1995 were approximately $7 million, $4 million and $5 million, respectively.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Description of Business and Summary of Accounting Policies

Environmental Costs: The Company conducts environmental assessments and remediation efforts at multiple locations, including operating facilities, and previously owned or operated facilities. Estimated closure and post-closure costs for active, refinery and finished product terminal facilities are not recognized until a decision for closure is made. Estimated closure and post-closure costs for active and operated retail marketing facilities and costs of environmental matters related to ongoing refinery, terminal and retail marketing operations are recognized as follows. Expenditures for equipment necessary for environmental issues relating to ongoing operations are capitalized. The Company accrues environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. Accruals for losses from environmental remediation obligations generally are recognized no later than completion of the remediation feasibility study. Estimated costs, which are based upon experience and assessments, are recorded at undiscounted amounts without considering the impact of inflation and are adjusted periodically as additional or new information is available.

Note I (In Part): Litigation and Contingencies

Like other petroleum refiners and marketers, the Company's operations are subject to extensive and rapidly changing federal and state environmental regulations governing air emissions, waste water discharges, and solid and hazardous waste management activities. The Company's policy is to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. While it is often extremely difficult to reasonably quantify future environmental related expenditures, the Company anticipates that a substantial capital investment will be required over the next several years to comply with existing regulations. The Company had recorded a liability of approximately $16.1 million as of December 31, 1995 relative to the estimated costs of a non-capital nature related to compliance with environmental regulations. This liability is anticipated to be expended over the next five years and is included in the balance sheet as a noncurrent liability. No amounts have been accrued as receivables for potential reimbursement or recoveries to offset this liability. Included in costs and operating expenses in the statement of operations for the years ended December 31, 1995, 1994 and 1993 were costs related to environmental remediation in the amount of $3.2 million, $1.9 million and $6.3 million, respectively.

Environmental liabilities are subject to considerable uncertainties which affect the Company's ability to estimate its ultimate cost of remediation efforts. These uncertainties include the exact nature and extent of the contamination at each site, the extent of required

cleanup efforts, varying costs of alternative remediation strategies, changes in environmental remediation requirements, the number and strength of other potentially responsible parties at multi-party sites, and the identification of new environmental sites. It is possible that the ultimate cost, which cannot be determined at this time, could exceed the Company's recorded liability. As a result, charges to income for environmental liabilities could have a material effect on the results of operations in a particular quarter or year as assessments and remediation efforts proceed or as new claims arise. However, management is not aware of any matters which would be expected to have a material adverse effect on the Company.

THE DOW CHEMICAL COMPANY (DEC)

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

A (In Part): Summary of Significant Accounting Policies

Environment. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are generally included in the balance sheet as "Other noncurrent obligations" at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Accruals for insurance or other third party recoveries for environmental liabilities are recorded when it is probable that a claim will be realized. Accruals for recoveries are included in the balance sheet as "Noncurrent receivables."

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Costs related to environmental contamination treatment and cleanup are charged to expense.

Q (In Part): Commitments and Contingent Liabilities

Numerous lawsuits have been brought against the Company and other chemical companies alleging that the manufacture, distribution or use of pesticides containing dibromochloropropane (DBCP) has caused, among other things, property damage, including contamination of groundwater. To date, there have been no verdicts or judgments against the Company in connection with these allegations. It is the opinion of the Company's management that the possibility is remote that the resolution of such lawsuits will have a material adverse impact on the Company's consolidated financial statements.

The Company has accrued $275 at December 31, 1995, for probable environmental remediation and restoration liabilities, including $17 for the remediation of Superfund sites. This is management's best estimate of these liabilities, although possible costs for environmental remediation and restoration could range up to 50 percent higher. It is the opinion of the Company's management that the possibility is remote that costs in excess of those accrued or disclosed will have a material adverse impact on the Company's consolidated financial statements.

In addition to the breast implant, DBCP and environmental remediation matters, the Company and its subsidiaries are parties to a number of other claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liabilities, governmental regulation and other actions. Certain of these actions purport to be class actions and seek damages in very large amounts. All such claims are being contested.

Dow has an active risk management program consisting of numerous insurance policies secured from many carriers at various times. These policies provide coverage which will be utilized to minimize the impact, if any, of the contingencies described above.

Except for the possible effect on the Company's net income for breast implant litigation described above, it is the opinion of the Company's management that the possibility is remote that the aggregate of all claims and lawsuits will have a material adverse impact on the Company's consolidated financial statements.

EATON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Protection Of The Environment

The Company has been named a potentially responsible party (PRP) under the Federal Superfund or similar state laws at a number of waste disposal sites. Although these laws technically impose joint and several liability upon each PRP at each site, the extent of the Company's required financial contribution to the cleanup of these sites is expected to be limited based on the number and financial strength of the other named PRPs and the volume and types of waste involved which might be attributable to the Company. The Company is also involved in remedial response and voluntary environmental cleanup expenditures at a number of other sites which are not the subject of any Superfund law proceeding, including certain currently-owned or formerly-owned plants.

Environmental and related remediation costs are difficult to quantify for a number of reasons including the numbers of parties involved at many sites, the difficulty in determining the extent of the contamination, the length of time remediation may require, the complexity of environmental regulation and the continuing advancement of remediation technology. The Company's environmental engineers, consultants and legal counsel have developed estimates for this purpose based upon cost analyses for each site. The Company accrues for these costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. At December 31, 1995 and 1994, the balance sheet included an accrual for these costs (in millions) of approximately $38 and $48, respectively. Management estimates that these costs may range up to approximately $70 million and that such costs would be incurred over a period of several years. The Company has rights of recovery from non-affiliated parties as to a portion of these costs with regard to several of these sites. These estimates are for-

ward looking statements and given the inherent uncertainties in evaluating environmental exposures, actual results can differ from these estimates.

Based upon the Company's analyses and subject to the difficulty in estimating these future costs, the Company expects that any sum it may be required to pay in connection with environmental matters is not reasonably likely to exceed the amounts recorded or disclosed in an amount which would have a material adverse effect on financial condition, results of operations or liquidity.

JOSTENS INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In part)

Jostens also assesses reasonably possible environmental liability beyond that which has been accrued. This liability is not probable, but is more likely than remote. As of June 30, 1995, the company identified four sites requiring further investigation. The potential liability cannot be fully assessed, since the sites are in the early stages of investigation. In addition, two other sites nearing completion did not require any accruals as of June 30, 1995. The amount of environmental liability identified that is reasonably possible is in the range of $.6 million to $4.6 million. As of June 30, 1995, the company has not been designated as a potentially responsible party at any site. The amount accrued during 1995 with respect to potential liability is $.6 million and is recorded as part of the "other accrued liabilities." The company does not expect to incur liabilities at the higher end of the range, based on the limited information currently available.

MONSANTO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (In part)

Costs for remediation of contaminated sites are accrued in the accounting period in which the responsibility is established and when the cost is estimable. Monsanto's Statement of Consolidated Financial Position included accrued liabilities of $210 million and $207 million as of Dec. 31, 1995 and 1994, respectively, for the remediation of identified contaminated sites. Expenditures related to remediation activities were $74 million in 1995, $65 million in 1994, and $53 million in 1993.

Monsanto's future remediation expenses for contaminated sites are affected by a number of uncertainties, including, but not limited to, the method and extent of remediation, the percentage of material attributable to Monsanto at the sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties (PRPs). Because of the uncertainties associated with remediation activities, Monsanto's potential future expenses to remediate these sites could approximate an additional $30 million.

Postclosure and remediation costs for contamination at operating locations are accrued over the estimated life of the facility as part of its anticipated closure cost. Monsanto's estimated closure costs for these facilities could reach approximately $120 million. Uncertainties related to these costs include evolving government standards, the method and extent of remediation, and future changes in technology.

NORTHWESTERN STEEL AND WIRE COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments And Contingencies

The Company is subject to a broad range of federal, state and local environmental requirements, including those governing discharges to the air and water, the handling and disposal of solid and/or hazardous wastes and the remediation of contamination associated with releases of hazardous substances.

Primarily because the melting process at the Sterling Operations produces dust that contains lead and cadmium, the Company is classified, in the same manner as other similar steel mills in its industry, as a generator of hazardous waste.

The Company believes that it is currently in substantial compliance with applicable environmental requirements and does not anticipate the need to make substantial expenditures for environmental control measures during fiscal 1996. However, as is the case with steel producers in general, if a release of hazardous substances located on the Company's property or used in general in the conduct of the Company's business occurs, the Company may be held liable and may be required to pay the cost of remedying the condition. The amount of any such liability and remedial cost could be material.

WMX TECHNOLOGIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000's omitted in all tables)

NOTE 2 (In Part): Summary of Accounting Policies

Environmental Liabilities. The Company provides for estimated closure and post-closure monitoring costs over the operating life of disposal sites as airspace is consumed. The Company has also established procedures to evaluate potential remedial liabilities at closed sites which it owns or operated, or to which it transported waste, including 106 sites listed on the Superfund National Priority List ("NPL"). Where the Company concludes that it is probable that a liability has been incurred, provision is made in the financial statements, based upon management's judgment and prior experience, for the Company's best estimate of the liability. Such estimates are subsequently revised as deemed necessary as additional information becomes available. See Note 7 for additional information.

NOTE 7. Environmental Costs and Liabilities

The majority of the businesses in which the Company is engaged are intrinsically connected with the protection of the environment. As such, a significant portion of the Company's operating costs and capital expenditures

could be characterized as costs of environmental protection. While the Company is faced, in the normal course of business, with the need to expend funds for environmental protection and remediation, it does not expect such expenditures to have a material adverse effect on its financial condition or results of operations because its business is based upon compliance with environmental laws and regulations and its services are priced accordingly.

The Company provides for estimated closure and post-closure monitoring costs over the operating life of disposal sites as airspace is consumed. Such costs for U.S. landfills are estimated based on the technical requirements of the Subtitle C and D Regulations of the U.S. Environmental Protection Agency or the applicable state requirements, whichever are stricter, and include such items as final cap and cover on the site, methane gas and leachate management, and groundwater monitoring. Substantially the same standards are applied to estimate costs for foreign sites, even though current regulations in some foreign jurisdictions are less strict.

The Company has also established procedures to evaluate potential remedial liabilities at closed sites which it owns or operated, or to which it transported waste, including 106 sites on the NPL. In the majority of situations, the Company's connection with NPL sites relates to allegations that its subsidiaries (or their predecessors) transported waste to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. The Company routinely reviews and evaluates sites requiring remediation, including NPL sites, giving consideration to the nature (e.g., owner, operator, transporter, or generator), and the extent (e.g., amount and nature of waste hauled to the location, number of years of site operation by the Company, or other relevant factors) of the Company's alleged connection with the site, the accuracy and strength of evidence connecting the Company to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties ("PRPs"), and the nature and estimated cost of the likely remedy. Cost estimates are based on management's judgment and experience in remediating such sites for the Company as well as for unrelated parties, information available from regulatory agencies as to costs of remediation, and the number, financial resources and relative degree of responsibility of other PRPs who are jointly and severably liable for remediation of a specific site, as well as the typical allocation of costs among PRPs. These estimates are sometimes a range of possible outcomes. In such cases, the Company provides for the amount within the range which constitutes its best estimate. If no amount within the range appears to be a better estimate than any other amount, then the Company provides for the minimum amount within the range in accordance with FAS No. 5. The Company believes that it is "reasonably possible," as that term is defined in FAS 5 ("more than remote but less than likely"), that its potential liability could be at the high end of such ranges, which would be approximately $150 million higher in the aggregate than the estimate that has been recorded in the financial statements as of December 31, 1995.

Estimates of the extent of the Company's degree of responsibility for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions and are inherently difficult, and the ultimate outcome may differ from current estimates. However, the Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. As additional information becomes available, estimates are adjusted as necessary. While the Company does not anticipate that any such adjustment would be material to its financial statements, it is reasonably possible that technological, regulatory or enforcement developments, the results of environmental studies or other factors could necessitate the recording of additional liabilities which could be material. The impact of such future events cannot be estimated at the current time.

Where the Company believes that both the amount of a particular environmental liability and the timing of the payments are reliably determinable, the cost in current dollars is inflated at 3% until expected time of payment and then discounted to present value at 7%. Had the Company not discounted any portion of its liability, the amount recorded would have been increased by approximately $171 million at December 31, 1995.

The Company's active landfill sites have estimated remaining lives ranging from one to over 100 years based upon current site plans and annual volumes of waste. During this remaining site life, the Company will provide for an additional $1.12 billion of closure and post-closure cost, including accretion for the discount recognized to date.

As of December 31, the Company's liabilities for closure, post-closure monitoring and environmental remediation costs were as follows:

	1994	1995
Current portion, included in Accrued Expenses	$ 108,750	$ 138,603
Non-current portion	704,015	622,952
Total recorded	$ 812,765	$ 761,555
Amount to be provided over remaining life of active site, including discount of $169 million in 1994 and $171 million in 1995	1,149,617	1,118,739
Expected aggregate undiscounted environmental liabilities	$1,962,382	$1,880,294

Anticipated payments of environmental liabilities at December 31, 1995, are as follows:

1996	$ 138,603
1997	97,621
1998	49,416
1999	40,586
2000	32,115
Thereafter	1,521,953
	$1,880,294

The change in the expected aggregate undiscounted amount results primarily from changes in available airspace.

The Company and certain of its subsidiaries are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of a Company subsidiary's having owned, operated or transported waste to a disposal facility which is alleged to have contaminated the environment. While the Company believes it has meritorious defenses to these lawsuits, their ultimate resolution is often substantially uncertain due to a number of factors, and it is possible such matters could have a material adverse impact on the Company's earnings for one or more quarters or years.

The Company has filed suit against numerous insurance carriers seeking reimbursement for past and future remedial, defense and tort claim costs at a number of sites. The carriers involved have denied coverage and are defending these claims. No amounts have been recognized in the financial statements for any future insurance recoveries.

Insurance Coverage/Self-Insurance

THE ALLEN GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Commitments and Contingencies

The Company is self insured for health care, workers compensation, general liability and product liability up to predetermined amounts above which third party insurance applies. The Company is contingently liable to insurance carriers under its workmen's compensation and liability policies and has provided a letter of credit in the amount of $1,982,000.

CRANE CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part):

The company has established insurance programs to cover product and general liability losses. These programs have deductible amounts of $5 million before coverage begins, with the exception of aircraft products which have first dollar coverage. The company does not deem its deductible exposure to be material.

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Description Of Business And Summary Of Significant Accounting Policies

I. Self Insurance: The Company is generally self-insured for losses and liabilities related primarily to workers' compensation, and health and welfare claims 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.

HARLEY-DAVIDSON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments And Contingencies

The Company self-insures its product liability losses in the United States up to $3 million (catastrophic coverage is maintained for individual claims in excess of $3 million up to $25 million). Outside the United States, the Company is insured for product liability up to $25 million per individual claim and in the aggregate. The Company accrues for claim exposures which are probable of occurrence and can be reasonably estimated.

SPEIZMAN INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments And Contingencies

The Company has not obtained product liability insurance to date due to the prohibitive cost of such insurance. The nature and extent of distributor liability for product defects is uncertain. The Company has not engaged in manufacturing activities since 1990, and management presently believes that there is no material risk of loss to the Company from product liability claims against the Company as a distributor.

Possible Tax Assessments

AMERISOURCE HEALTH CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Legal Matters And Contingencies

The Company has received notices from the Internal Revenue Service asserting deficiencies in federal corporate income taxes for the Company's taxable years 1987 through 1991. The proposed adjustments indicate a net increase to taxable income for these years of approximately $24 million and relate principally to the deductibility of costs incurred with respect to the leveraged buyout transaction which occurred in 1988. The Company has analyzed these matters with tax counsel and believes it has meritorious defenses to the deficiencies asserted by the Internal Revenue Service. The Company will contest the asserted deficiencies through the administrative appeals process and, if necessary, litigation. The Company believes that any amounts assessed will not have a material effect on the financial statements of the Company.

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

The Company has received statutory notices of deficiency for the 1989, 1990 and 1991 tax years from the Internal Revenue Service (IRS) of $51.8 million, $92.9 million and $16.8 million, respectively, excluding any penalties or interest. The Company believes it has meritorious defenses and does not expect that any liability resulting from the 1989, 1990 or 1991 tax years will result in a material adverse effect on its results of operations or financial position. In 1993, the Company reached a settlement with the IRS for the 1980-1987 taxable years. As a result of the settlement, as well as significant prepayments of taxes in prior years, the Company received a refund and net income was increased by $40.4 million in 1993.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Income Taxes

The U.S. Internal Revenue Service ("IRS") examinations of National's U.S. Federal income tax returns for fiscal years 1976-1982 resulted in the issuance of deficiency notices during fiscal 1989 and 1990 seeking additional taxes amounting to approximately $76 million (exclusive of interest). National filed petitions with the United States Tax Court contesting the deficiency notices and the cases were consolidated for trial. National and the IRS subsequently settled all issues for fiscal years 1976 through 1982 except for intercompany product transfer prices. This settlement reduced the additional taxes being sought to approximately $52 million (exclusive of interest). Trial in the case was held in February 1993 and an opinion was issued by the U.S. Tax Court in May 1994. The opinion found that adjustments to income of $40.6 million were due, which the Company estimates, after giving effect to loss and credit carrybacks, will result in a tax deficiency of approximately $5 million plus associated interest of between $35 million and $45 million. The IRS motion for reconsideration of the opinion, which sought an additional $31 million in income tax adjustments, was denied by the court in June 1994. The Company and the IRS have reached agreement on the allocation of the additional income, and this agreement was presented to the Court in June 1995. A formal decision implementing the opinion was then entered by the Tax Court following completion of these final computations and the decision is subject to appeal by either the Company or the IRS. It is not known if an appeal will follow at this time.

In January 1994, the Company and the IRS settled all issues for fiscal years 1983 through 1985, including issues relating to intercompany product transfer pricing, without the payment of additional Federal tax. This result will be affected by certain net operating loss carryovers and credits, which will not be determined until the Tax Court litigation is completed.

In April 1995, the IRS issued a deficiency notice for fiscal years 1986 through 1989 seeking additional taxes of approximately $11 million (exclusive of interest). The issues raised by the deficiency notice relate primarily to the Company's former Israeli operation and the purchase price paid for Fairchild Semiconductor Corporation. The Company intends to file a protest of the deficiency notice. The Company expects the IRS to begin examination of the Company's tax returns for fiscal years 1990 through 1993 during the summer of 1995. The Company believes that adequate tax payments have been made and accruals recorded for all years and that the Tax Court case will not have a material adverse effect on the Company's financial condition or results of operations.

Note 12 (In Part): Commitments and Contingencies

The Company is engaged in tax litigation with the IRS and the Company's tax returns will soon be under examination by the IRS (see Note 7). In addition to the foregoing, National is a party to other suits and claims which arise in the normal course of business. National believes any liability resulting from those matters would not be material to the Company's financial position.

PFIZER INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taxes on Income (In Part):

The Internal Revenue Service (IRS) has completed its examination of the Company's federal income tax returns for the years 1987 through 1989. As part of this process, the Company received an examination report from the IRS in August 1995, requesting a response within 30 days, which sets forth the adjustments the IRS is proposing for those years. The Company has filed a response protesting the proposed adjustments and is awaiting communications from the IRS Appeals Office. The proposed adjustments relate primarily to the tax accounting treatment of certain swaps and related transactions undertaken by the Company in 1987 and 1988. These transactions resulted in the receipt of cash in those years, which the Company duly reported as income for tax purposes. In 1989 (in Notice 89-21), the IRS announced that it believed cash received in certain swap transactions should be reported as income for tax purposes over the lift of the swaps, rather than when received. In the case of the Company, this would cause some of the income to be reported in years subject to the Tax Reform Act of 1986. The IRS proposed adjustment involves approximately $72 million in federal taxes for the years 1987 through 1989, plus interest. If the proposed adjustment is carried through to the maturity of the transactions in 1992, an additional tax deficiency of approximately $86 million, plus interest, would result. The Company disagrees with the proposed adjustment and continues to believe that its tax accounting treatment

for the transactions in question was proper. The Company is protesting and appealing the proposed adjustments. While it is impossible to determine the final disposition, the Company is of the opinion that the ultimate resolution of this matter should not have a material adverse effect on the financial position or the results of operations of the Company.

In November 1994, Belgian tax authorities notified Pfizer Research and Development Company N.V./S.A. (PRDCO), an indirect wholly owned subsidiary of the Company, of a proposed adjustment to the taxable income of PRDCO for fiscal year 1992. The proposed adjustment arises from an assertion by the Belgian tax authorities of jurisdiction with respect to income resulting primarily from certain transfers of property by non-Belgian subsidiaries of the Company to the Irish branch of PRDCO. In January 1995, PRDCO received an assessment from the tax authorities for additional taxes and interest of approximately $432 million and $97 million, respectively, relating to these matters for the fiscal year 1992. In January 1996, PRDCO received an assessment from the tax authorities, for fiscal year 1993, for additional taxes and interest of approximately $86 million and $18 million, respectively. The new assessment arises from the same assertion by the Belgian tax authorities of jurisdiction with respect to all income of the Irish branch of PRDCO. Based upon the relevant facts regarding the Irish branch of PRDCO and the provisions of the Belgian tax laws and the written opinions of outside counsel, the Company believes that the assessments are wholly without merit.

The Company believes that its accrued tax liabilities are adequate for all open years.

TANDY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Income Taxes

The IRS Dallas field office is reviewing the Company's 1987-1989 tax returns and has referred certain issues to the IRS National office. The resolution of this matter, which raises questions about the private letter rulings issued by the IRS regarding the spin-off of InterTAN and certain other tax matters, could result in additional taxes and interest to the Company. Although aggregate additional taxes involved in these transactions could potentially range from $0 to $27 million, based on the advice of the Company's independent tax advisors, the Company believes it would prevail if any tax litigation were instituted. Any ultimate tax assessment would also include interest expense. In any event, the Company believes the ultimate resolution would have no material impact on the Company's financial condition.

Government Investigations

THE BOEING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 (In Part): Contingencies

The Company is subject to U.S. Government investigations of its practices from which civil, criminal or administrative proceedings could result. Such proceedings, if any, could involve claims by the Government for fines, penalties, compensatory and treble damages, restitution and/or forfeitures. Under Government regulations, a company, or one or more of its operating divisions or subdivisions, can also be suspended or debarred from government contracts, or lose its export privileges, based on the results of investigations. The Company believes, based upon all available information, that the outcome of such government disputes and investigations will not have a material adverse effect on its financial position or continuing operations.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Litigation

The Federal Trade Commission is conducting an investigation of whether the formation or operations of Tracker Marine, L.P. and the Company's contracts with Tracker Marine, L.P. violate antitrust laws. The Company has received and responded to subpoenas seeking information relating to the Company's outboard motor sales. The Company understands that other marine companies have received similar subpoenas from the Federal Trade Commission.

Possible Repayment Of IDA Grants

ANALOG DEVICES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

f. Grant Accounting
The Company's manufacturing facility in Limerick, Ireland has received various grants from the Industrial Development Authority of the Republic of Ireland. These grants include capital, employment, and research and development grants. Capital grants for the acquisition of property and equipment are netted against the related capital expenditures and amortized as a credit to depreciation expense over the useful life of the related asset. Employment grants, which relate to employee hiring training, and research and development grants are recognized in earnings in the period in which the related expenditures are incurred by the Company.

6 (In Part): Commitments and Contingencies

Irish Grants

During fiscal 1995, the Company's manufacturing facility in Limerick, Ireland entered into a grant agreement with Ireland's Industrial Development Authority ("IDA") under which the Company will receive grant monies of up to 10.1 million Irish Pounds (approximately $16.4 million at October 28, 1995) for capital and start-up costs associated with the wafer fabrication expansion at this facility. As of October 28, 1995, the Company had not received any grant monies under this agreement. The Company's Irish facility has previously received operating and capital grants from the IDA; a liability to repay up to $13.1 million of the grants received by the Company would arise in the unlikely event the Company should discontinue its Irish operations prior to the commitment periods noted in the grant agreements which expire at various dates through 1999.

Repurchase Agreements

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

As a result of the Clark acquisition, the company is involved in certain repurchase arrangements relating to product distribution and product financing activities. As of December 31, 1995, repurchase arrangements relating to product financing by an independent finance company approximated $101.6 million. It is not practicable to determine the additional amount subject to repurchase solely under dealer distribution agreements. Under the repurchase arrangements relating to product-distribution and product-financing activities, when dealer terminations do occur, a newly selected dealer generally acquires the assets of the prior dealer and assumes any related financial obligation. Accordingly, the risk of loss to the company is minimal. Historically, Clark incurred only immaterial losses relating to these arrangements.

Unasserted Claims

LONE STAR INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

28. Litigation

From time to time the Company is named as a defendant in lawsuits asserting product liability for which the Company maintains insurance coverage. In late 1995 an office building in Boston, Massachusetts, constructed in 1983 using concrete pilings produced by San-Vel Concrete Corporation ("San-Vel"), an inactive Lone Star subsidiary, was demolished by order of the City of Boston based upon an engineering report that the pilings were unreliable. The owner of the demolished building has notified the Company, among others, that it intends to hold responsible parties liable. At the request of the City of Boston, San-Vel has provided a list of the approximate twenty-five other buildings built in that City between 1980 and 1990 using San-Vel pilings. The City has reportedly inspected these buildings visually, without noting any apparent piling failure, although engineering studies are reportedly being conducted with final results expected in mid-1996. The Company believes that the cement component of the concrete used to produce the pilings in certain of these buildings, including the demolished building, was produced by it at one of its former cement plants. There has been no indication that the cement was defective. The Company is conducting an investigation into these matters and believes that it has both insurance coverage and good defenses to any claim of liability that may be asserted against it relating to the demolished building.

MAYTAG CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Contingencies and Disclosure of Certain Risks and Uncertainties (In Part):

The Company recently announced that it will conduct an in-home inspection program to eliminate a potential problem with a small electrical component in Maytag brand dishwashers. Although the ultimate cost of the repair will not be known until the inspection program is complete, it is not expected to have a material impact on the Company's results. The Company will seek reimbursement from the supplier of the component.

Debt Restructuring By Customer

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Commitments and Contingencies

During October 1994, Trans World Airlines Inc. (TWA), the Company's largest aircraft-leasing customer, completed a restructuring of its indebtedness and leasehold obligations to its creditors via a prepackaged reorganization plan confirmed by the U.S. Bankruptcy Court in August 1995. As part of the reorganization plan, the Company agreed to defer six months of lease and other payments. The plan calls for TWA to pay deferred amounts to the Company over a 28-month period that commenced in April 1995. The reorganization plan is not expected to have a significant adverse effect on the Company's earnings, cash flow, or financial position.

GAIN CONTINGENCIES

Plaintiff Litigation

BMC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Legal Matters

In January 1995, a U.S. District Court in Miami, Florida, awarded the Company a $5.1 million judgment against Barth Industries (Barth) of Cleveland, Ohio and its parent, Nesco Holdings, Inc. (Nesco). The judgment relates to an agreement under which Barth and Nesco were to help automate the plastic lens production plant in Fort Lauderdale, Florida. The Company has not recorded any income relating to this judgment because Barth and Nesco have filed an appeal.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

In the fourth quarter of 1992, the Corporation filed suit in the State of Washington against numerous insurance carriers for coverage under comprehensive general liability insurance policies issued by those carriers. The Corporation sought a declaratory judgment to the effect that past and future environmental remediation and other related costs with respect to certain of the sites are covered by such policies. The Corporation has now dismissed or settled its claims against all but one of those carriers for a total of approximately $54 million. Approximately $44 million of this amount has been received ($40 million of which was recorded as pretax income in 1995) and the remainder is payable, subject to certain contingencies, over approximately the next ten years. No amounts have been recorded for contingent payments.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

In 1991, the Company initiated litigation in the Idaho State District Court in Kootenai County, Idaho, against a number of insurance carriers which provided comprehensive general liability insurance coverage to the Company and its predecessors. The Company believes that the insurance companies have a duty to defend and indemnify the Company under their policies of insurance for all liabilities and claims asserted against the Company by the Environmental Protection Agency (EPA) and the Tribe under CERCLA related to the Bunker Hill Superfund Site and Coeur d'Alene River Basin in northern Idaho. In two separate decisions issued in August 1992 and March 1993, the Court ruled that the primary insurance companies had a duty to defend the Company in the Tribe's lawsuit, but that no carrier had a duty to defend the Company in the EPA proceeding. During 1995 and in January 1996, the Company entered into settlement agreements with a number of the insurance carriers named in the litigation. The Company has received a total of $3.755 million under the terms of the settlement agreements. Thirty percent of these settlements is payable to the EPA to reimburse the U.S. Government for past costs under the Bunker Hill Superfund Site Consent Decree previously entered into by the Company. Litigation is still pending against other insurers. At December 31, 1995, the Company has not reduced its accrual for reclamation and closure costs to reflect any anticipated insurance proceeds.

THE LUBRIZOL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (In Part): Litigation

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. In October 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.

Contingent Receivables

GENERAL DYNAMICS CORPORATION (DEC)

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

E (In Part): Income taxes

In addition, the company has filed refund claims for approximately $275 (plus interest) in additional research and experimentation tax credits for the years 1981-1990. A portion of the claims relates to the years 1981-1986 and is part of the litigation discussed above, while the re-

maining claims are being contested at the IRS administrative level. As the ultimate allowance of these claims is expected to be dependent upon the outcome of the litigation, no benefits will be recognized until the completion of the litigation.

QUIKSILVER, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

Flood Loss - In August, 1995 Quiksilver Europe experienced a flood which caused damages to facilities and inventory of approximately $1,100,000. In December, 1995, the local government of St. Jean de Luz declared the flood site a natural disaster which, under French law, may allow Quiksilver Europe to recover a portion of its losses. At October 31, 1995, management cannot predict with any certainty, what portion, if any, of the flood losses will be recoverable. As a result, such costs have been expensed in the fourth quarter of fiscal 1995.

Contract Award

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingencies

In April 1995, the Federal Aviation Administration ("FAA") awarded the Company a contract modification valued at $955,000,000 to upgrade the nation's air traffic control system, thereby eliminating the uncertainty concerning the status of the program. This contract modification was issued following the conclusion of the FAA's comprehensive review, begun in December 1993, of the Company's air traffic control program.

RISKS AND UNCERTAINTIES

Statement of Position 94-6, issued by the Accounting Standards Division of the American Institute of Certified Public Accountants, requires reporting entities to disclose information about the nature of their operations, the use of estimates in preparing financial statements, certain significant estimates, and vulnerabilities due to certain concentrations. The requirements of SOP 94-6 were effective for fiscal years ending after December 15, 1995. 370 survey companies disclosed the use of estimates in preparing financial statements. Of these disclosures, 358 were made as part of the summary of accounting policies.

Examples of disclosures made by the survey companies to conform to the requirements of *SOP 94-6* follow.

Nature Of Operations

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Concentrations Of Other Risks

Products. Microprocessor products and Flash memory devices contributed a significant portion of the company's revenues and profits in 1995. The company expects that its ability to maintain or expand its current levels of revenues and profits in the future will depend upon, among other things, its success in developing and marketing, in a timely manner, its next generation of microprocessor products, the K86 RISC SUPERSCALAR products, and future generations of Flash memory devices.

Markets. The markets for the company's products are characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, and short product life cycles. The market for microprocessors and Flash memory devices is primarily dependent upon the market for personal computers. From time to time, the PC industry has experienced significant downturns, often in connection with, or in anticipation of, declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, and resultant accelerated erosion of average selling prices. The company's business could be materially and adversely affected by industry-wide fluctuations in the PC marketplace in the future.

Inventories. Given the volatility of the market, the company makes inventory provisions for potentially excess and obsolete inventory based on backlog and forecasted demand. However, such backlog demand is subject to revisions, cancellations, and rescheduling. Actual demand will inevitably differ from such anticipated demand, and such differences may have a material effect on the financial statements.

Customers. The company markets and sells its products primarily to a broad base of customers comprised of Distributors and Original Equipment Manufacturers (OEMs) of computation and communication equipment. One of the company's distributors, Arrow Electronics, Inc., accounted for approximately 12 percent of 1995 net sales. No other Distributor or OEM customer constituted 10 percent or more of net sales in 1995.

International operations. The company derives more than half of its revenues from international sales. However, only a portion of the company's international sales were denominated in foreign currencies. Further, the company does not have any sales denominated in the local currencies of those countries which have highly inflationary economies.

Nearly all product assembly and final testing of the company's products are performed at its manufacturing facilities in Penang, Malaysia; Singapore; and Bangkok, Thailand; or by subcontractors in Asia. Wafer fabrication

of certain products is performed at foundries in Asia. FASL wafer fabrication facilities are located in Aizu Wakamatsu, Japan. Foreign manufacturing entails political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and exemptions for taxes and tariffs. For example, if the company were unable to assemble and test its products abroad, or if air transportation between the United States, the company's overseas facilities and customers worldwide were disrupted, there could be a material adverse effect on the company's operations.

Materials. Certain of the raw materials used by the company in the manufacture of its products are available from a limited number of suppliers. For example, several types of integrated circuit packages purchased by the company, as well as by the majority of other companies in the semiconductor industry, are principally supplied by Japanese companies. Shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. If the company were unable to procure certain of such materials, it would be required to reduce its manufacturing operations, which could have a material adverse effect upon its results of operations.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Description of Business: The Company is a U.S.-based multi-national corporation engaged in the discovery, development, manufacture, distribution and sale of a diversified line of products in three business segments: health care products, agricultural products and food products. Health care products include branded and generic ethical pharmaceuticals, biologicals, nutritionals, consumer health care products, medical devices, and animal biologicals and pharmaceuticals. Agricultural products include crop protection and pest control products such as herbicides, insecticides, fungicides and plant growth regulators. Food products include entrees, side dishes, spreadable fruit products, snacks and other food products. The Company sell its diversified line of products to wholesalers, pharmacies, hospitals, physicians, retailers and other health care institutions located in various markets in 145 countries throughout the world. The Company is not dependent on any single or major group of customers for its sales.

The Company is not dependent on any one patent-protected product or line of products for a substantial portion of its revenues or profits. However, *Premarin*, the Company's conjugated estrogens product, which has not had patent protection for many years, does contribute significantly to sales and results of operations. See "Competition" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 49 for further details.

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

Competition

The Company is not dependent on any one patent-protected product or line of products for a substantial portion of its revenues or profits. However, *Premarin,* the Company's conjugated estrogens product, which has not had patent protection for many years, does contribute significantly to sales and results of operations. A U.S. Food and Drug Administration (FDA) advisory committee meeting was held in July 1995 to discuss relative differences in safety and efficacy among estrogen products and to advise the FDA on the activity of various estrogenic components in *Premarin* relative to the FDA's review of applications for generic conjugated estrogens. The FDA advisory committee concluded that there is insufficient data to assess whether or not any individual component or combination of components of *Premarin,* other than estrone and equilin, must be present to achieve clinical efficacy and safety. The Company cannot predict the timing or outcome of the FDA's action on currently pending applications for generic conjugated estrogen products. While the introduction of generic competition ordinarily is expected to significantly impact the market for a brand name product, the extent of such impact on *Premarin* and related products cannot be predicted with certainty due to a number of factors, including the nature of the product and the introduction of new combination estrogen and progestin products in the *Premarin* family.

CPC INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary Of Accounting Policies (In Part)

Risks and uncertainties- The Company operates in three business segments and in more than 60 countries, and in each country, the business is subject to varying degrees of risk and uncertainty. It insures its business and assets in each country against insurable risks in a manner that it deems appropriate. Because of its diversity the Company believes that the risk of loss from non-insurable events in any one business or country would not have material adverse affect on the Company's operations as a whole. Additionally, the Company believes there is no concentration of risk with any single customer or supplier, or small group of customers or suppliers, whose failure or non-performance would materially affect the Company's results.

CHESAPEAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (In Part)

j. Risks and Uncertainties: Chesapeake operates in three business segments which offer a diversity of products over a broad geographic base. The Company is not dependent on any single customer, group of customers, market, geographic area or supplier of materials, labor or services. Financial statements include, where necessary, amounts based on the judgments and estimates of management. These estimates include allowances for bad debts, accruals for landfill closing costs, environmental remediation costs, loss contingencies for litigation, self-insured medical and workers compensation insurance and income taxes and determinations of discount and other rate assumptions for pensions and postretirement benefit expenses.

CLEVELAND-CLIFFS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Risks

The North American steel industry experienced high operating rates and generally positive financial results in 1995 and 1994. The Company's integrated steel company partners and customers have generally improved their financial condition over the two-year period as a result of continued earnings and increased equity capital.

The improvement in most steel companies' financial positions has significantly reduced the major business risk faced by the Company in recent years, i.e., the potential financial failure and shutdown of significant customers or partners with a resulting unmitigated loss of ore sales or royalty and management fee income.

If any such shutdown were to occur without mitigation through replacement sales or cost reduction, it would represent a significant adverse financial development to the Company. The iron mining business has high operating leverage because "fixed" costs are a large portion of the cost structure. Therefore, loss of sales or other income due to failure of a customer or partner would have an adverse income effect proportionately greater than the revenue effect (see Note E-McLouth Bankruptcy).

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

The Company manufactures and markets a wide variety of products in the U.S. and around the world in two distinct business segments; Oral, Personal and Household Care, and Pet Nutrition. Oral, Personal and Household Care products include toothpastes, oral rinses and toothbrushes, bar and liquid soaps, shampoos, conditioners, deodorants and antiperspirants, baby and shave products, laundry and dishwashing detergents, fabric softeners, cleansers and cleaners, bleaches and other similar items. These products are sold primarily to wholesale and retail distributors worldwide. Pet Nutrition products include pet food products manufactured and marketed by Hill's Pet Nutrition. The principal customers for Pet Nutrition products are veterinarians and large-format specialty pet retailers. Principal global trademarks include Colgate, Palmolive, Mennen, Kolynos, Ajax, Soupline/Suavitel, Fab, Science Diet and Prescription Diet in addition to various regional trademarks.

The Company's principal classes of products accounted for the following percentages of worldwide sales for the past three years;

	1995	1994	1993
Oral Care	30%	26%	25%
Personal Care	22%	24%	24%
Household Surface Care	16%	17%	17%
Fabric Care	18%	18%	19%
Pet Nutrition	9%	11%	11%

Company products are marketed under highly competitive conditions. Products similar to those produced and sold by the Company are available from competitors in the U.S. and overseas. Product quality, brand recognition and acceptance, and marketing capability largely determine success in the Company's business segments. The financial and descriptive information on the Company's geographic area and industry segment data, appearing in the tables contained in the Financial Review, is an integral part of these financial statements. More than half of the Company's net sales, operating profit and identifiable assets are attributable to overseas operations. Transfers between geographic areas are not significant.

The Company's products are generally marketed by a sales force employed by each individual subsidiary or business unit. In some instances outside jobbers and brokers are used. Most raw materials used worldwide are purchased from others, are available from several sources and are generally available in adequate supply. Products and commodities such as tallow and essential oils are subject to wide price variations. No one of the Company's raw materials represents a significant portion of total material requirements.

Trademarks are considered to be of material importance to the Company's business; consequently the practice is followed of seeking trademark protection by all available means. Although the Company owns a number of patents, no one patent is considered significant to the business taken as a whole.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Description of Business and Summary of Accounting Policies

Description of Business: Crown Central Petroleum Corporation and subsidiaries (the Company) operates primarily in one business segment as an independent refiner and marketer of petroleum products, including

petrochemical feedstocks. The Company operates two refineries, one located near Houston, Texas with a rated capacity of 100,000 barrels per day of crude oil and another in Tyler, Texas with a rated capacity of 52,000 barrels per day of crude oil. Its principal business is the wholesale and retail sale of its products through 15 product terminals located on three major product pipelines along the Gulf Coast and the Eastern Seaboard and in the Central United States and through a network of 348 gasoline stations, convenience stores and mini-marts located in the Mid-Atlantic and Southeastern United States.

Crude oil and refined products are the Company's principle raw materials and finished goods, respectively. The price of crude oil and refined products are subject to worldwide market forces of supply and demand. Prices can be volatile and fluctuations influence the Company's financial results.

Employment at the Company's Pasadena and Tyler refineries represent approximately 12% and 8%, respectively, of the Company's total employment at December 31, 1995. Additionally, approximately 69% of the Pasadena refinery employees and approximately 66% of the Tyler refinery employees are subject to collective bargaining agreements. The Company's collective bargaining agreement with the Oil Chemical & Atomic Workers Union covering employees at the Pasadena refinery expired on February 1, 1996. Negotiations for a new agreement are currently under way.

Locot Corporation, a wholly-owned subsidiary of the Company, is the parent company of La Gloria Oil and Gas Company (La Gloria) which operates the Tyler refinery, a pipeline gathering system in Texas and product terminals located along the Texas Eastern Pipeline system.

F Z Corporation, a wholly-owned subsidiary of the Company, is the parent company of two convenience store chains operating in six states, retailing both merchandise and gasoline.

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Risks and Uncertainties

The American Institute of Certified Public Accountants issued Statement of Position (SOP) 94-6, "Disclosure of Certain Significant Risks and Uncertainties," effective for fiscal years ending after December 15, 1995. The SOP requires disclosures about the nature of operations and the use of estimates in the preparation of financial statements. If specified disclosure criteria are met, it requires disclosures about certain significant estimates and current vulnerability due to certain concentrations.

EG&G, Inc. is a broad-based technology company that provides an array of products and technical services to manufacturers and end-users in medical, aerospace, automotive and other ground transportation, environmental, industrial and government markets worldwide. The Company's industry segments are Technical Services, Instruments, Mechanical Components and Optoelectronics. Based on sales, Technical Services is the largest segment, representing over 40% of the Company's sales; the other three segments are about equal in size. The Technical Services segment supplies engineering, scientific, environmental, management and technical support services primarily to U.S. Government agencies. Analysis and testing services are provided primarily to the U.S. automotive industry. The Instruments segment develops and manufactures hardware and associated software for applications in medical diagnostics, biochemical and medical research, materials analyses, environmental monitoring, industrial process measurement, food monitoring and airport and industrial security worldwide. Mechanical Components provides products to four worldwide markets. Mechanical seals and bellows products are designed and manufactured for the chemical and petrochemical industries. Fans, blowers, ducting, components, seals and metallic parts/valves are supplied to the aerospace market. Motors and power supplies are sold to the transportation market. Regenerative blower and biofiltration systems are used in the environmental remediation market. The Optoelectronics segment designs and manufactures optical sensors, flashlamps and laser diodes. Electronic components are provided for industrial, consumer and medical applications and defense and energy programs. Micromachined sensors are used for a variety of applications, such as pressure sensors and accelerometers. Optoelectronics is designing medical imaging devices based on amorphous silicon technology. High-reliability power supplies are manufactured. This segment's products are distributed worldwide.

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

During 1995, 38% of the Company's sales from continuing operations were to U.S. Government agencies, predominantly to the Department of Defense and NASA. In accordance with government regulations, all of the Company's government contracts are subject to termination for the convenience of the government. Costs incurred under cost-reimbursable contracts are subject to audit by the government. The results of prior audits, complete through 1991, have not had a material effect on the Company. For additional information on government contracts, see Note 21.

Given the nature of the DOE contracts, which are presented as discontinued operations, the Company does not anticipate incurring any material loss on the ultimate completion of the contracts.

For information concerning various investigations, claims, legal proceedings, environmental investigations and remedial actions, and notices from the IRS, see Note 14.

HON INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nature of Operations

HON INDUSTRIES Inc. (the Company) is a national manufacturer of office furniture and hearth products. The Company operates one principal line of business, the manufacture of office furniture and accessories. The Company's hearth business, whether based on assets, revenues, or earnings, is not of sufficient size to be a reportable segment. Office furniture products are sold through a national system of dealers, wholesaler, mass merchandisers, warehouse club, retail superstores, end-user customers, and to the General Services Administration. Dealer, wholesaler, and end-user customers are the major channels based on sales. Hearth products include wood- and gas-burning factory-built fireplaces, fireplace inserts, gas logs, and stoves. These products are sold through a national system of dealers and wholesalers and large regional contractors. The Company's products are marketed predominantly in the United States and, to a much lesser extent, Canada and Mexico. The Company exports select products to a limited number of markets outside North America through its export subsidiary; however, based on sales, it is not significant.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. Risks and Uncertainties

The company is a leader in the creation, development and manufacture of advanced information technologies, including computer systems, software, networking systems, storage devices and microelectronics. These advanced technologies are translated into value for our customers worldwide through our sales and professional services units in more than 150 countries. At December 31, 1995, approximately 65 percent of the company's net assets were located outside the United States, primarily in the major economically developed countries of Europe and Asia, with the highest being approximately 15 percent in Japan. Additional geographic information on the company's assets can be found in note AA on pages 77 and 78.

The diversity and breadth of the company's product and services offerings, customers, and geographic operations mitigate significantly the risk that a severe impact will occur in the near term as a result of changes in its customer base, competition, sources of supply, or composition of its markets. As a result, it is unlikely that any one event, such as loss of any individual customer or supplier, entrance of new competitors into specific markets, or decline in business conditions in particular markets would have a severe impact on the company's operating results.

Management uses estimates in preparing the consolidated financial statements, in conformity with generally accepted accounting principles. Significant estimates include collectibility of accounts receivable, warranty costs, profitability on long-term contracts, as well as recoverability of capitalized software costs, long-term fixed assets and residual values. The company regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

PFIZER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

The consolidated financial statements include the accounts of Pfizer Inc and all significant subsidiaries (the "Company"). Material intercompany transactions are eliminated. Certain reclassifications have been made to the 1994 and 1993 financial statements to conform to the 1995 presentation, including classification of the food science business as a discontinued operation in the statement of income. See the footnote "Discontinued Operations" on page 55.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

The Company is subject to certain risks and uncertainties as a result of changes in the health care environment, competition, foreign exchange and tax reform as discussed in "Prospective Information" beginning on page 36.

Prospective Information

Subsequent Event

In January 1996, the Company completed the acquisition of the Leibinger Companies, a leader in the manufacture of specialty surgical instruments and implantable devices used in skull, jaw, facial, hand and foot surgery.

Competition and the Health Care Environment

In the United States, many of the Company's pharmaceutical products are subject to increased competition as managed care groups, institutions and government agencies seek price discounts. Federal and state government efforts to reduce Medicare and Medicaid expenses are expected to increase the use of managed care and to offer incentives to beneficiaries to join these plans. This may result in managed care influencing prescription decisions for a larger segment of the population. International operations are also subject to increasing degrees of government regulations.

It is expected that pressures on pricing and operating results will continue in 1996 as a result of this market competition and environment.

Feldene and Glucotrol have been subject to generic competition since 1992 and 1994, respectively. The majority of the unfavorable impact on Feldene sales was felt in 1993, 1994 and 1995. The combined U.S. net sales of these products were $95, $203 and $308 million in 1995, 1994 and 1993, respectively.

In mid-1993, the FDA approved an NDA for a competitor's sustained-release form of nifedipine for the treatment of hypertension. This product uses a different

delivery system from the patented technology used in Procardia XL, the Company's product, which is approved for the treatment of hypertension and angina and which has a delivery system that is patent-protected until 2003. Other forms of sustained-release nifedipine have been reported to be in various stages of development by other companies. It is not possible to predict the timing and impact of possible future competition on sales of Procardia XL.

Calcium Channel Blockers
During 1995, reports from several nonclinical studies raised questions about the safety of calcium channel blockers, particularly the Company's immediate-release nifedipine capsules, sold as Procardia. In January 1996, the FDA's advisory panel, after carefully reviewing all of the data on the use of calcium channel blockers, recommended that labeling for immediate-release nifedipine capsules-approved only to treat a form of angina-be clarified. However, the Advisory Panel specifically noted that there was no data which questioned the safety of the newer sustained-release and intrinsically long-acting calcium channel blockers, such as the Company's Procardia XL and Norvasc, which are approved for both hypertension and angina and are prescribed for the vast majority of patients on calcium channel blockers. The safety and effectiveness of these new long-acting calcium channel blockers in lowering blood pressure and controlling angina are supported by a large body of data from numerous studies and the daily clinical experiences of physicians around the world.

It is not possible to predict the impact, if any, of these studies and the FDA panel's recommendations on its future sales, but the Company does not believe that any impact will have a material adverse effect on its financial position or results of operations.

World Trade Organization (WTO)
In December 1994, the U.S. Congress ratified the WTO treaty, previously known as the General Agreement on Tariffs and Trade. A key provision of the treaty relates to intellectual property protection. The 10-year transition period relating to the major pharmaceutical patent-infringing countries such as Brazil, Turkey, Argentina and India will result, however, in the continued discrimination against patents filed prior to the effective date of the agreement. In addition, changes in the U.S. patent law have resulted in limited extensions of the terms of patents for some of the Company's products.

Foreign Exchange
Sales and earnings growth in 1996 could be impacted by changes in foreign exchange rates. The Company manages its foreign exchange risk through a variety of techniques. For further details, see the footnote "Financial Instruments and Concentrations of Credit Risk" beginning on page 47.

Tax Reform Proposal
The U.S. Congress and the Clinton Administration are presently negotiating the balancing of the federal budget. Both the vetoed Balanced Budget Reconciliation Act of 1995 and the Clinton Administration budget proposal contain language that amends Section 936, so as to completely phase out the income-based tax credit for those companies with operations in Puerto Rico, where the Company has a major manufacturing facility. Both proposals provide for the phase down of the Section 936 credit over a period of five to ten years. In addition, both proposals contain a provision extending the Research and Development credit. Due to the significant degree of uncertainty as to the outcome of these deliberations, the Company is unable to predict the timing and impact upon its results of operations.

RAYTHEON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Risks and Uncertainties
Companies such as Raytheon, which are engaged in supplying defense-related equipment to the government, are subject to certain business risks peculiar to that industry. Sales to the government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad and other factors. As a result of the 1985 Balanced Budget and Emergency Deficit Reduction Control Act, the federal deficit and changing world order conditions, DOD budgets have been subject to increasing pressure resulting in an uncertainty as to the future effects of DOD budget cuts. Raytheon has, nonetheless, maintained a solid foundation of tactical defense systems which meet the needs of the United States and its allies, as well as servicing a broad government program base and wide range of commercial electronic businesses. These factors lead management to believe that there is high probability of continuation of Raytheon's current major tactical defense programs.

The company provides long-term financing principally to its aircraft customers. The company sells general and regional aviation long-term receivables to a bank syndicate and a fractional ownership in a defined pool of trade receivables to a financial institution. The bank have recourse against the company, at varying percentages, depending on the character of the receivables sold. The underlying aircraft serve as collateral for the receivables and the future resale value of the aircraft is an important consideration in the transaction. Based on the company's experience to date with resale activities and pricing, management believes that any liability arising from these transactions will not have a material effect on the company's financial position, liquidity, or results of operations.

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

THE LUBRIZOL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature Of Operations

The Lubrizol Corporation is a full service supplier of performance chemicals to diverse markets worldwide. These specialty chemical products are created through the application of advanced chemical and mechanical technologies to enhance the performance, quality and value of the products in which they are used. The company develops, produces and sells specialty additive systems for gasoline and diesel engine lubricating oils, for automatic transmission fluids and for gear oils and marine and tractor lubricants. The company also supplies specialty products for industrial lubricants and functional fluids, fuel additives and diversified specialty chemical products.

The company's sales and receivables are concentrated in the oil and chemical industries. The company's additive customers consist primarily of oil refiners and independent oil blenders and are located in more than 100 countries. Approximately 60% of the company's sales are made to customers outside of North America. The ten largest customers, most of which are international oil companies and a number of which are groups of affiliated entities, comprised approximately 44% of consolidated sales in 1995, 45% in 1994 and 44% in 1993. Although the largest single group each year accounted for 10% of sales in 1995 and 9% in 1994 and 1993, these customers are made up of a number of separate entities that the company believes make independent purchasing decisions.

RUBBERMAID INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Nature of Operations

Rubbermaid Incorporated and its subsidiaries manufacture, market, sell, and distribute plastic and rubber products consumed primarily by the end user in the consumer, commercial, industrial, agricultural, office, marine, automotive accessories, contract and juvenile markets. The Company's products include such items as housewares; home horticulture products; decorative coverings; leisure and recreational products; infant and children's toys; furniture, office and industrial products; and products used in food service, health care, and sanitary maintenance. The Company's products are distributed through its own sales personnel and manufacturers' agents to a variety of retailers and wholesalers, including mass merchandisers, toy stores, catalog showrooms, and distributors serving institutional markets. The Company's raw materials are readily available, and the Company is not dependent on a single supplier or only a few suppliers.

UNITED HEALTHCARE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Commitments and Contingencies

Business Risks

Certain factors relating to the industry in which the Company operates and the Company's business should be carefully considered. The Company's primary business, offering health care coverage and health care management services, is heavily regulated at both the federal and state levels. While the Company is unable to predict what regulatory changes may occur or the impact on the Company of any particular change, the Company's operations and financial results could be negatively affected.

Recent trends in health care prices and utilization have moderated, but there can be no assurance that they will not again increase at a more rapid pace. If health care costs do begin to increases more rapidly, there can be no assurance that the Company will be able to meet its goal of maintaining price increases at least sufficient to cover increases in health care costs.

Also, the Company operates in a highly competitive industry which has seen significant consolidation over the past few years. The current competitive markets in certain areas may limit the Company's ability to price its products at levels the Company believes appropriate. These competitive factors could adversely affect the Company's financial results.

WALBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (In Part): Business Segment Information

Worldwide operations are located in three geographic segments - United States, Europe and Far East and Other Foreign. The Europe geographic segment includes operations in Belgium, France, Germany, Norway, Spain and the United Kingdom. The Far East and Other Foreign geographic segment includes operations in Japan, Singapore, Korea, China, Mexico and Canada. Sales between geographic areas are accounted for at cost plus a margin for profit. Operating profit consists of total sales less operating expenses excluding general corporate expenses, interest expense and income taxes. Identifiable assets are those assets used in the operations in each geographic area. Export sales from domestic locations were approximately $45,485,000, $36,881,000 and $47,876,000 for 1995, 1994 and 1993, respectively.

The net assets of the Company's foreign operations were $29,137,000, $24,598,000 and $17,240,000 at December 31, 1995, 1994 and 1993, respectively. The Company's share of foreign net income was $4,763,000, $3,369,000 and $2,843,000 in 1995, 1994 and 1993, respectively.

A majority of the Company's sales are to automobile manufacturing companies. Sales to certain major customers which exceeded 10% of consolidated sales are as follows. Sales to one such customer amounted to 21%, 30% and 30% of consolidated sales in 1995, 1994 and 1993, respectively. Sales to another such customer amounted to 19%, 23% and 21% of consolidated sales in 1995, 1994 and 1993, respectively.

Several other factors could have a significant impact on the continuing operations of the Company. These factors include changes in demand for automobiles and light trucks, relationships with significant customers, price pressures, the timing and structure of future acquisitions or disposition, the integration of the Dyno acquisition into Walbro's overall business, impact of environmental regulations, continued availability of adequate funding sources, currency and other risks inherent in international sales, and general economic and business conditions.

Use Of Estimates

BETHLEHEM STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Use of Estimates- In preparing these financial statements, Bethlehem's management makes estimates and uses assumptions that affect some of the reported amounts and disclosures. See, for example, Note D, Taxes; Note F, Commitments and Contingent Liabilities; Note G, Postretirement Pension Benefits; and Note H, Postretirement Benefits Other Than Pensions. In the future, actual amounts received or paid could differ from those estimates.

BOWATER INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities (See note 9) at the date of the financial statements. In addition, they affect the reported amounts of expenses during the reporting period. Actual results could differ from these estimates and assumptions.

9. Commitments and Contingencies

The company is involved in various litigation relating to contracts, commercial disputes, tax, environmental, workers' compensation and other matters. The company's management is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the company's operations or its financial condition taken as a whole.

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principal Accounting Policies

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results are likely to differ from those estimates, but management does not believe such differences will materially affect the company's financial position, results of operations or cash flows.

FRUIT OF THE LOOM, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates depending upon certain risks and uncertainties. Potential risks and uncertainties include such factors as the financial strength of the retail industry (particularly the mass merchant channel), the level of consumer spending for apparel, the amount of sales of the Company's activewear screenprint products, the competitive pricing environment within the basic apparel segment of the apparel industry, the ability of the Company to successfully move labor-intensive segments of the manufacturing process offshore and the success of planned advertising, marketing and promotional campaigns.

NASHUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary Of Significant Accounting Policies (In Part)

Use of Estimates. The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates related to allowances for obsolete inventory and uncollectible receivables, en-

vironmental obligations, postemployment, postretirement and other employee benefits, valuation allowances for deferred tax assets, future cash flows associated with assets, and useful lives for depreciation and amortization. Actual results could differ from those estimates.

TIME WARNER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Organization And Summary Of Significant Accounting Policies

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

Significant estimates inherent in the preparation of the accompanying consolidated financial statements include management's forecast of anticipated revenues from the sale of future and existing music and publishing-related products in order to evaluate the ultimate recoverability of accounts receivables and artist and author advances recorded as assets in the consolidated balance sheet. Accounts receivables and sales in the music and publishing industries are subject to customers' rights to return unsold items. Management periodically reviews such estimates and it is reasonably possible that management's assessment of recoverability of accounts receivables and individual artist and author advances may change based on actual results and other factors.

THE TIMES MIRROR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 - Use Of Estimates And Other Uncertainties

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and judgments that affect amounts and disclosures reported in the financial statements. Actual results could differ from those estimates, although management does not believe that any differences would materially affect the company's financial position or reported results.

The company's future results could be adversely affected by a number of factors, including (a) an increase in paper, printing and distribution costs over the levels anticipated; (b) increased consolidation among major retailers or other events depressing the level of display advertising; (c) an economic downturn in the company's principal newspaper markets or other occurrences leading to decreased circulation and diminished revenues from both display and classified advertising; (d) competitive pressures arising from increased consolidation in the legal information industry and the college textbook publishing industry; (e) an increase in expenses related to new initiatives and product improvement efforts in the legal information, flight information and health information operating units; (f) unfavorable foreign currency fluctuations; and (g) a general economic downturn resulting in decreased professional or corporate spending on discretionary items such as information or training and in decreased consumer spending on discretionary items such as magazines or newspapers.

Significant Estimates

AMOCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Other Contingencies

Amoco is subject to federal, state and local environmental laws and regulations. Amoco is currently participating in the cleanup of numerous sites pursuant to such laws and regulations. The reasonably estimable future costs of probable environmental obligations, including Amoco's probable costs for obligations for which Amoco is jointly and severally liable, and for assets or businesses that were previously disposed, have been provided for in the corporation's results of operations. These estimated costs represent the amount of expenditures expected to be incurred in the future to remediate sites with known environmental obligations. The accrued liability represents a reasonable best estimate of Amoco's remediation liability. As the scope of the obligations becomes better defined, there may be changes in the estimated future costs, which could result in charges against the company's future results of operations. The ultimate amount of any such future costs, and the range within which such costs can be expected to fall, cannot be determined. Although the costs could be significant in relationship to the results of operations in any one period, they are not expected to have a material effect on Amoco's liquidity or consolidated financial position.

AST RESEARCH, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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. A valuation allowance for deferred tax assets is recorded to the extent the Company cannot determine, in accordance with the provisions of SFAS No. 109 "Accounting for Income Taxes," that the ultimate realization of net deferred tax assets is more likely than not. In making such determination, the Company considers estimated future reversals of existing taxable temporary differences, estimated future earn-

ings and available tax planning strategies. To the extent that the estimates of these items are reduced or not realized, the amount of the deferred tax assets considered realizable could be adversely affected.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

E. Properties, Plants and Equipment - Properties, plants and equipment are stated at the lower of cost or estimated net realizable value. Maintenance, repairs and renewals are charged to operations. Betterments of a major nature are capitalized. When assets are retired or sold, the costs and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in operations. Idle facilities, placed on a standby basis, are carried at the lower of net book value or estimated net realizable value.

Management of the Company reviews the net carrying value of all facilities, including idle facilities, on a regular, periodic basis. These reviews consider, among other factors, (1) the net realizable value of each major type of asset, on a property-by-property basis, to reach a judgment concerning possible permanent impairment of value and any need for a write-down in asset value; (2) the ability of the Company to fund all care, maintenance and standby costs; (3) the status and usage of the assets, while in a standby mode, to thereby determine whether some form of amortization is appropriate; and (4) current estimates of metals prices that affect the decision to reopen or make a disposition of the assets. The Company estimates the net realizable value of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment and the value associated with property interests. These estimates of undiscounted future cash flows are dependent upon estimates of metal to be recovered from proven and probable ore reserves and, where appropriate, from the continuity of existing, developed ore bodies, future production costs and future metals prices over the estimated remaining mine life. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized based upon the estimated expected future net cash flows from the property discounted at an interest rate commensurate with the risk involved. The Company adopted the provisions of Statement of Financial Accounting Standards, No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS No. 121) effective January 1, 1995. The adoption of the provisions of SFAS No. 121 had no material effect on the results of operations, financial condition, or cash flows of the Company.

Management's estimates of metals prices, recoverable proven and probable ore reserves, and operating, capital and reclamation costs are subject to risks and uncertainties of change affecting the recoverability of the Company's investment in various projects. Although management has made its best estimate of these factors based on current conditions, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from its operating properties and the need for asset impairment write-downs.

Depreciation is based on the estimated useful lives of the assets and is computed using straight-line, declining-balance, and unit-of-production methods. Depletion is computed using the unit-of-production method.

Management's calculations of proven and probable ore reserves are based on engineering and geological estimates including minerals prices and operating costs. Changes in the geological and engineering interpretation of various ore bodies, mineral prices and operating costs may change the Company's estimates of proven and probable reserves. It is reasonably possible that certain of the Company's estimates of proven and probable reserves will change in the near term resulting in a change to amortization and liability accrual rates in future reporting periods.

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Operations

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Certain Significant Estimates

Amounts reported for pensions and postretirement medical benefits and their related deferred tax assets are subject to significant fluctuation due to changes in interest rates. Estimates of environmental remediation-related obligations are discussed in Note 9.

Current Vulnerability Due to Certain Concentrations

The Company manufactures steel from steel scrap generated in the course of its steel production and purchased in the open market from numerous scrap suppliers. Since it does not produce its own raw materials, the Company is subject to the fluctuation in prices and availability of scrap.

Approximately 62% of the Company's production employees are covered by a collective bargaining agreement, which extends beyond one year.

Note 9 (In Part): Commitments and Contingencies

In 1989 the Company reached an agreement with Elkem Technology to construct a High Temperature Metals Recovery (HTMR) System at the Alton Plant intended to treat newly generated dust as well as the existing storage pile, and reclaim zinc in the process. Management's studies at the time indicated that the amount of zinc recoveries from the process would substantially reduce or

even offset the facility's cost of operations. The total cost of this project was estimated at $25,000,000; however, the final capital cost was to be based on performance tests prior to the Company's assuming control of the operation.

In the second quarter of 1993 the Company was advised by Elkem Technology that the HTMR System would not be able to meet its original goals, including the recovery of prime western grade zinc, which is an essential criterion under the contract, and accordingly commissioning of the facility would cease. On May 17, 1993, the Company and Elkem Technology negotiated a settlement of the original contract, under which Elkem refunded $13,600,000 to the Company and relinquished control of and legal title to the HTMR System. A portion of the funds received from Elkem together with additional Company funds was used to modify the HTMR System in order to treat current generation of dust economically, and in accordance with EPA standards. The remaining refund from Elkem of $8,070,000 was applied as a prepayment of a portion of the outstanding Solid Waste Disposal Revenue Bonds in 1994. The Company's investment in the HTMR System at December 31,1995 is approximately $16,700,000.

The Company's prior closure plan, approved by the Illinois Environmental Protection Agency (IEPA), is based upon utilization of the HTMR System to process existing electric furnace dust piles. However, because the HTMR System did not meet its original goal and is being modified to treat only current generation of dust, the Company developed a modified closure plan which has been approved in principal by the IEPA. This plan provides for the closure of existing electric furnace dust piles in place. Based on estimates provided by an independent consultant it appears that the cost of this plan will approximate the $3,716,000 amount included in non-current liabilities at December 31, 1995 for the disposal of the existing EAF dust.

MASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In part):

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with generally accepted accounting principles requires the Company 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 reporting period. Actual results could differ from such estimates and assumptions.

Discontinued Operations (In Part)

In late November 1995, the Company's Board of Directors approved a formal plan to dispose of the Company's home furnishings products segment. Accordingly, the applicable financial statements and related notes, except as otherwise noted, have been reclassified to present the home furnishings products segment as discontinued operations. Company operations included in this segment are principally engaged in the manufacture and sale of quality furniture, fabrics and other home furnishings. The Company recorded a fourth quarter 1995 pre-tax and after-tax non-cash charge of $650 million for the anticipated loss on disposition of this segment. The potential income tax benefit of approximately $230 million from the loss on disposition was not recorded due to the likelihood that such loss will be capital in nature and that the Company is unable to quantify the portion of such capital loss benefit which may ultimately be realizable. The approximate components of the charge were as follows, in thousands:

Write-down of assets due to anticipated net proceeds being less than carrying value:	
Excess of cost over acquired net assets	$402,000
Property and equipment	238,000
Provision for disposition costs, net of estimated income during anticipated holding period	10,000
Pre-tax and after-tax disposition charge	$650,000

This charge reflects the Company's best estimate of the amount anticipated to be realized on the disposition of its home furnishings products businesses. The estimated amount that the Company anticipates to realize on disposition is based on negotiations with potential acquirors and independent parties familiar with valuations of this nature. The amount that the Company will ultimately realize could differ materially from the amount assumed in arriving at the loss on disposition of the home furnishings products segment. The Company intends to dispose of the businesses comprising the home furnishings products segment in 1996. Should the Company retain a common equity interest in these businesses after disposition, such interest would be less than 20 percent.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Risks and Uncertainties. The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally not by material amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of Occidental's financial position and results of operations.

Included in the accompanying balance sheet is net property, plant and equipment at a carrying value of $13.867 billion as of December 31, 1995. These carrying values are based on Occidental's plans and intentions to continue to operate, maintain and, where it is economically desirable, to expand its businesses. If future economic conditions result in changes in management's

plans or intentions, the carrying values of the affected assets will be reviewed again and any appropriate adjustments made.

Included in the accompanying consolidated balance sheet is a deferred tax asset of $1.8 billion as of December 31, 1995, the noncurrent portion of which is netted against deferred income tax liabilities. Realization of that asset is dependent upon Occidental generating sufficient future taxable income. Occidental expects to realize the recorded deferred tax asset through future operating income and reversal of taxable temporary differences.

The accompanying consolidated balance sheet includes assets of $2.038 billion as of December 31, 1995 relating to Occidental's oil and gas operations in countries outside North America. Some of these countries may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization.

Since Occidental's major products are commodities, significant changes in the prices of oil and gas and chemical products could have a significant impact on Occidental's results of operations for any particular year.

OPTICAL COATING LABORATORY, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): General

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period.

Certain Significant Estimates. At October 31, 1995, the Company had significant deferred tax assets related to operating losses available for carryforward. These deferred tax assets have been recorded under the guidelines of SFAS No. 109, Accounting for Income Taxes, on the premise that future taxable income will more likely than not be adequate to realize future tax benefits of the available net operating loss carryforwards. Under tax regulations, realization of tax benefits per period will be limited and full realization will depend on future taxable income over a number of years. In Note 10, Contingencies and Commitments, the Company has set forth an asserted claim amount arising out of a U.K. patent infringement suit which is reported as a contingency matter. The Company has a ground water contamination situation at its facility in Santa Rosa, California. The Company has established a program for reducing contaminant concentration levels to acceptable federal and state levels under the regulatory guidance of the California Regional Water Quality Control Board. Based upon the extensive tests conducted and advice of environmental consultants, the Company believes that a previously established accrual for completion of the ground water remediation plan is sufficient and that the annual cost of maintaining compliance with environmental standards related to the above matter will not have a material adverse effect on the Company's business, financial position or prospects.

PHILLIPS PETROLEUM COMPANY (DEC)

ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from the estimates and assumptions used.

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Contingencies

In the case of all known contingencies, the company accrues a charge for a loss when it is probable and the amount is reasonably estimable. These accruals are not discounted for delays in future payment and are not reduced for potential insurance recoveries. Based on currently available information, the company believes that it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on the company's financial statements.

As facts concerning contingencies become known to the company, the company reassesses its position both with respect to gain contingencies and accrued liabilities and other potential exposures. Estimates that are particularly sensitive to future change include environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the unknown magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of the company's liability in proportion to other responsible parties. Estimated future tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation process.

SEQUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Environmental Remediation and Compliance

It is the Company's policy to accrue environmental remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Accrued environmental remediation and compliance costs include remedial investigation and feasibility studies, outside legal, consulting and re-

mediation project management fees, projected cost of remediation activities, site closure and post-remediation monitoring costs. The potential exposure for such costs is estimated to range from $24,000,000 to $52,000,000. At December 31, 1995, the Company's balance sheet includes accruals for remediation costs of $44,521,000. These accruals are at undiscounted amounts and are primarily included in accrued expenses and other long-term liabilities. While the possibility of recovery of some of the costs from insurance companies exists, the Company does not recognize these recoveries in its financial statements until they are realized. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures.

Note 5 (In Part): Discontinued Operations

Net assets of discontinued operations approximate net realizable value and have been classified as noncurrent. The amounts the Company will ultimately realize from the leveraged lease portfolio and other investments could differ materially from management's best estimates of their realizable value. A summary of the net assets of discontinued operations is as follows:

(Amounts in thousands) *At December 31,*	1995	1994
Receivables, net	$ 7,788	$ 6,774
Inventories	6,765	9,788
Investment in leveraged leases and other investments	159,987	163,857
Property, plant and equipment, net	2,807	3,515
Other assets	11,123	10,861
Total assets	188,470	194,795
Accounts payable	2,438	2,550
Accrued expenses	4,425	5,338
Debt	29,528	27,029
Other long-term liabilities	7,188	5,483
Total liabilities	43,579	40,400
Net assets of discontinued operations	$144,891	$154,395

Note 8 (In Part): Income Taxes

The Company has a tax capital loss carryforward of $3,788,000 at December 31, 1995 that most likely will expire unutilized in 1998. A valuation allowance has been established to reduce the deferred tax asset recorded for the capital loss carryforward to zero, to reduce the tax asset recorded for certain tax credits which may expire unutilized in 1998 through 2008 and to reduce the tax benefit for current year losses of the Company's French subsidiaries. The AMT credit carryforward does not expire and can be carried forward indefinitely. The Company has a tax net operating loss carryforward of $242,093,000 at December 31, 1995 that expires in 2006 through 2010.

Although the Company has experienced book and tax domestic losses in the past five years, management believes that the Company will return to profitability and will be able to utilize its domestic net operating loss carryforwards before expiration through future reversals of existing taxable temporary differences and future earnings. The losses were largely attributable to loss provisions recorded during 1991 and 1992 for the Company's discontinued leasing unit, the government investigation of jet engine component repairs and repair procedures at Chromalloy's Orangeburg plant, the Chromalloy restructuring charges and the persistent difficulties of overcapacity and pricing pressure in the airline marketplace which resulted in Chromalloy - a consistent contributor to profits in the past - operating at a loss from 1993 through 1995. The Company has divested itself of a significant portion of Sequa Capital's assets, has downsized and restructured the Chromalloy operation, has resumed FAA repair operations at Chromalloy's Orangeburg plant and has decreased interest expense by significantly reducing debt levels.

The Company's ability to generate the expected amounts of domestic taxable income from future operations is dependent upon general economic conditions, the state of the airline industry, competitive pressures on sales and margins, and other factors beyond management's control. There can be no assurance that the Company will meet its expectations for future domestic taxable income in the carryforward period; however, management has considered the above factors in reaching the conclusion that it is more likely than not that future domestic taxable income will be sufficient to fully realize the net domestic deferred tax assets at December 31, 1995. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future domestic taxable income during the carryforward period are reduced.

Note 21 (In Part): Contingencies

Related to the above lawsuits, Chromalloy Gas Turbine's divisions compete for turbine engine repair business with a number of other major companies, including the original equipment manufacturers (OEM). Such OEMs generally have obligations (contractual and otherwise) to approve vendors to manufacture components for their engines and/or perform repair services on their engines and components. Chromalloy Gas Turbine has a number of such approvals, including licensing agreements, which allow it to manufacture and repair certain components of flight engines. The loss of approval by one of the major OEMs to manufacture or repair components for such OEM's engines could have an adverse effect on Chromalloy Gas Turbine, although management believes it has certain actions available to it to mitigate the adverse effect.

The ultimate legal and financial liability of the Company in respect to all claims, lawsuits and proceedings referred to above cannot be estimated with any certainty. However, in the opinion of management, based on its examination of such matters, its experience to date and discussions with counsel, the ultimate outcome of these contingencies, net of liabilities already accrued in the Company's Consolidated Balance Sheet, is not expected to have a material adverse effect on the Company's consolidated financial position, although the resolution in any reporting period of one or more of these matters could have a significant impact on the Company's results of operations for that period.

STORAGE TECHNOLOGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant estimates have been made by management with respect to the realizability of the Company's deferred tax assets, the possible outcome of outstanding litigation, and future obligations associated with the Company's 1995 restructuring. Actual results could differ from these estimates making it reasonably possible that a change in these estimates could occur in the near term. See Notes 10, 14 and 16, respectively, for additional information with respect to these estimates.

Note 10 (In Part): Income Taxes

The net change in the valuation allowance for deferred income tax assets was an increase of $32,705,000 in 1995 and a decrease of $24,819,000 in 1994. The valuation allowance relates primarily to net operating loss carryforwards, tax credit carryforwards, and net deductible temporary differences. The Company evaluates a variety of factors in determining the amount of the deferred income tax assets to be recognized pursuant to SFAS No. 109, including the number of years the Company's operating loss and tax credits can be carried forward, the existence of taxable temporary differences, the Company's earnings history and the Company's near-term earnings expectations. Although realization is not assured, management believes it is more likely than not that all of the net deferred income tax asset will be realized.

Note 14 (In Part) Litigation

In addition, the Company is involved in various other less significant legal proceedings. The Company believes it has adequate legal defenses with respect to each of the suits cited above and intends to vigorously defend against these actions. However, it is reasonably possible that these cases could result in outcomes unfavorable to the Company. While the Company currently believes that the amount of the ultimate potential loss would not be material to the Company's financial position, the outcome of litigation is inherently difficult to predict. In the event of an adverse outcome, the ultimate potential loss could have a material effect on the Company's financial position or reported results of operations in a particular quarter. An adverse decision, particularly in patent litigation, could require material changes in production processes and products or result in the Company's inability to ship products or components found to have violated third-party patent rights.

Note 16 (In Part): Restructuring And Other Charges

1995 Restructuring

During the fourth quarter of 1995, the Company recorded a restructuring charge of $167,175,000 related to the adoption by the Company of a formal action plan for restructuring its enterprise and networking businesses. This restructuring was adopted in an effort to establish a more competitive cost structure in response to slower revenue growth and increasing price competition, particularly in the online marketplace. In connection with the restructuring, the Company plans to focus on core businesses and outsource non-strategic activities, rearchitect its distribution processes and accelerate the integration of Network Systems, which was acquired in March 1995.

In connection with the plan, the Company incurred employee severance costs of approximately $49,265,000. The Company anticipates its worldwide work force will be reduced by approximately 1,700 employees with the majority of the terminations expected to occur during 1996.

Asset writedowns incurred in connection with the restructuring included a charge of approximately $21,310,000 associated with the planned disposal of excess spare parts in connection with the consolidation of field service depots; a charge of approximately $19,600,000 primarily associated with the writedown of manufacturing equipment which will be scrapped or sold; a charge of approximately $18,484,000 associated with goodwill and other investment writedowns on business activities which are being discontinued; a charge of approximately $16,361,000 associated with the shutdown of manufacturing and research facilities; a charge of approximately $10,758,000 associated with excess and obsolete inventories resulting from the decision to discontinue various product lines; and a charge of approximately $5,096,000 associated with other asset writedowns resulting from discontinued business activities.

Charges of approximately $16,660,000 were incurred in connection with the abandonment of real estate leases. Other exit costs of approximately $9,641,000 were incurred principally related to equipment lease terminations and the discontinuation of engineering support agreements.

As of December 29, 1995, the remaining accrual associated with this restructuring was approximately $67,607,000. This accrual consisted of estimated future employee severance obligations of approximately $42,485,000; estimated future rent obligations associated with excess lease space of approximately $16,028,000; and accruals for other exit costs associated with the restructuring of approximately $9,094,000.

Vulnerability Due To Certain Concentrations

ACCLAIM ENTERTAINMENT, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 (In Part): Major Suppliers and Customers and Related Party Transactions

A. Major Suppliers and Customers
The Company is substantially dependent on Nintendo as the sole manufacturer of SNES and Game Boy hardware and a significant portion of the software for those platforms and as the sole licensor of the proprietary information and the technology needed to develop the Software for those platforms; and on Sega as the sole manufacturer of Genesis, Master System, Game Gear and Sega CD hardware and a portion of Software for those platforms and as the sole licensor of the proprietary information and the technology needed to develop Software for those platforms. In fiscal years 1995, 1994 and 1993, the Company derived 47%, 45% and 66% of its gross revenues, respectively, from sales of Nintendo-compatible products and in fiscal years 1995, 1994 and 1993, the Company derived 46%, 55% and 34% of its gross revenues, respectively, from sales of Sega-compatible products.

The Company markets its products primarily to mass merchandise companies, large retail toy store chains, department stores and specialty stores. Sales to one customer represented approximately 11%, 12% and 13% of revenues for the years ended August 31, 1995, 1994 and 1993, respectively.

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments And Contingencies

B. Contingencies
In the normal course of business, the company is named in legal proceedings. There are currently no material legal proceedings pending with relation to the company.

The company is subject to contingencies relative to environmental laws and regulations. Currently the company is in the process of resolving several cases relative to landfill sites. The company does not believe the ultimate resolution of these claims will have a material adverse effect on the results of operations. Provision has been made for known settlement costs.

The company has evaluated its worldwide operations to determine if any risks and uncertainties exist that could severally impact its operations in the near-term. In general the company does not believe that it is a risk. However, the company does rely on single suppliers for certain castings and components in several of its meter lines. Although alternate sources of supply exist for these items, loss of certain suppliers could disrupt operations. To protect itself against such disruption, the company has purchased contingent business interruption insurance which would generally prevent severe financial loss.

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments, Contingencies and Concentrations

Concentrations
At December 31, 1995, Chrysler had a total of approximately 126,000 employees worldwide. Of this total, approximately 85,000 hourly workers and 29,000 salaried workers were employed in the U.S. and Canada. In the U.S. and Canada, approximately 95 percent of Chrysler's hourly employees and 22 percent of its salaried employees are represented by unions. Of these represented employees, 97 percent of hourly and 90 percent of salaried employees are represented by the United Automotive, Aerospace, and Agricultural Implement Workers of America ("UAW") or the National Automobile, Aerospace, and Agricultural Implement Workers of Canada ("CAW"). The existing national agreements with the UAW and CAW will expire in September of 1996.

COMPAQ COMPUTER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments, Contingencies, Financial Instruments, and Factors that May Affect Future Operations:

Factors that may affect future operations - The Company participates in a highly volatile industry that is characterized by fierce industry-wide competition for market share resulting in aggressive pricing practices, continually changing customer demand patterns, growing competition from well-capitalized high technology and consumer electronics companies, and rapid technological development. The Company's operating results could be adversely affected should the Company be unable to anticipate customer demand accurately, to maintain short design cycles while meeting evolving industry performance standards, to manage its product transitions, inventory levels, and manufacturing processes efficiently, to distribute its products quickly in response to customer demand, to differentiate its products from those of its competitors, or to compete successfully in the markets for its new products.

Significant numbers of components are purchased from single sources due to technology, availability, price, quality, or other considerations. Key components and processes currently obtained from single sources include certain of the Company's displays, microprocessors, application specific integrated circuits and other custom chips, and certain processes relating to construction of the plastic housing for the Company's computers. In addition, new products introduced by the Company often initially utilize custom components obtained from only one source until the Company has evaluated whether there is a need for additional suppliers. In the event that a supply of a key single-sourced material, process, or component were delayed or curtailed, the Company's ability to ship the related product in desired quantities and in a timely manner could be adversely affected. The

Company attempts to mitigate these risks by working closely with key suppliers on product plans, strategic inventories, and coordinated product introductions.

L.B. FOSTER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Risks and Uncertainties

The Company's future operating results may be affected by a number of factors. The Company is dependent upon a number of major suppliers. If a critical supplier had operational problems or ceased making material available to the Company, operations could be adversely affected. In particular, approximately 70% of the materials sold by the construction products segment are purchased from one supplier. The Company's operations are in part dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operations results may also be affected by the weather.

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Business Operations

Significant Vendors. The Company contracts principally with two machine tool builders located in Taiwan for the manufacture and assembly of CNC machine tool systems, based on the Company's designs and specifications, utilizing CNC systems provided by the Company. Any interruption from these sources would restrict the availability of the Company's machine tools, which would affect operating results adversely. The Company has negotiations in process with other manufacturing sources to increase its capacity and continuously evaluates alternative sources of supply.

KERR GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations - Significant Use of Resin
The Company's Plastic Products Business uses a significant amount of resin in its manufacturing process. From time to time, the Company has experienced substantial increases in the cost of resin. To the extent that the Company is unable to pass on resin cost increases, the cost increases could have a significant impact on the results of operations of the Company.

MICRON TECHNOLOGY, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (In Part)

Periodically, the Company is made aware that technology used by the Company in the manufacture of some or all of its products may infringe on product or process technology rights held by others. The Company has accrued a liability and charged operations for the estimated costs of settlement or adjudication of asserted and unasserted claims for infringement prior to the balance sheet date. Management can give no assurance that the amounts accrued have been adequate and cannot estimate the range of additional possible loss, if any, from resolution of these uncertainties. Resolution of whether the Company's manufacture of products has infringed on valid rights held by others may have a material adverse effect on the Company's financial position or results of operations, and may require material changes in production processes and products. The Company has various product and process technology agreements which expire in calendar 1995, including an agreement with IBM. The Company is unable to predict whether these license agreements can be obtained or renewed on terms acceptable to the Company. Failure to renew such licenses could result in litigation and the attendant cost and diversion of resources associated therewith and could result in material changes in the Company's production processes or products. An adverse decision on any such litigation or such material changes could have a material effect on the Company's financial position or results of operations. The Company is not able to predict whether these license agreements can be renewed on terms acceptable to the Company.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K. Concentrations

One customer accounts for 36%, 35%, and 34% of net sales for the years ended December 31, 1995, 1994, and 1993.

Production levels at commercial plants may be affected by vendor failure to deliver tooling, material and critical parts within commitments. While recent years have witnessed virtual elimination of these circumstances, there is no assurance against recurrence. Deliveries of new products, some of which have been sourced overseas, could be delayed by labor or supply problems at the vendors or in transportation. As a consequence, these products may not be available in sufficient quantities during the prime selling period. While there has been no major incidence of such problems and the Company has made every reasonable effort to prevent occurrence, there is no assurance that such effort will be totally effective.

STEWART & STEVENSON SERVICES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Vulnerability Due To Certain Concentrations

A majority of the Engineered Power Systems Segment sales is derived from packaging, operating and servicing gas turbine engines manufactured by General Electric Company ("GE") and European Gas Turbines ("EGT"). The Company has no reason to believe that its relationship with GE and EGT will not continue for the foreseeable future. Any interruption of these relationships, however, would adversely affect the Company.

The Company's principal distribution agreements are subject to termination by the suppliers for a variety of causes. Although no assurance can be given that such distribution agreements will be renewed beyond their expiration dates, they have been renewed regularly.

VISHAY INTERTECHNOLOGY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Current Vulnerability Due To Certain Concentrations

Sources of Supply
Although most materials incorporated in the Company's products are available from a number of sources, certain materials (particularly tantalum and palladium) are available only from a relatively limited number of suppliers. Tantalum, a metal, is the principal material used in the manufacture of tantalum capacitor products. It is purchased in powder form primarily under annual contracts with domestic suppliers at prices that are subject to periodic adjustment. The Company is a major consumer of the world's annual tantalum production. There are currently three major suppliers that process tantalum ore into capacitor grade tantalum powder. Although the Company believes that there is currently a surplus of tantalum ore reserves and a sufficient number of tantalum processors relative to the foreseeable demand, and that the tantalum required by the Company has generally been available in sufficient quantities to meet requirements, the limited number of tantalum powder suppliers could lead to increases in tantalum prices that the Company may not be able to pass on to its customers. Palladium is primarily purchased on the spot and forward markets, depending on market conditions. Palladium is considered a commodity and is subject to price volatility. Although palladium is currently found in South Africa and Russia, the Company believes that there is a sufficient number of domestic and foreign suppliers from which the Company can purchase palladium. However, an inability on the part of the Company to pass on increases in palladium costs to its customers could have an adverse effect on the margins of those products using the metal.

Geographic Concentration
To address the increasing demand for its products and in order to lower its costs, the Company has expanded, and plans to continue to expand, its manufacturing operations in Israel in order to take advantage of that country's lower wage rates, highly skilled labor force, government-sponsored grants, as well as various tax abatement programs. These incentive programs have contributed substantially to the growth and profitability of the Company. The Company might be materially and adversely affected if these incentive programs were no longer available to the company or if hostilities were to occur in the Middle East that materially interfere with the Company's operations in Israel.

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 1995 annual reports of the survey companies.

Examples of commitment disclosures follow.

TABLE 1-12: COMMITMENTS

	Number of Companies			
	1995	**1994**	**1993**	**1992**
Dividend restrictions	356	355	369	379
Purchase agreements	99	98	90	77
Capital expenditures	93	88	86	86
Employment contracts	37	37	37	31
Additional payments in connection with an acquisition	33	22	20	23
Licensing agreements	20	N/C	N/C	N/C
Sales agreements	13	12	11	16
Other-described	50	54	58	37

N/C-Not Compiled.

Obligations to Maintain Working Capital Or Restrict Dividends

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Long-Term Debt

Several loan agreements of the Company contain restrictions which, among other things, require maintenance of certain financial ratios, restrict encumbrance of assets and creation of indebtedness, and limit the payment of dividends. At July 1, 1995, the Company was in compliance with these financial ratio requirements. At July 1, 1995, $110,871,000 of the Company's retained earnings of $236,645,000 were unrestricted and available for the payment of dividends under the most restrictive terms of the agreements.

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In part): Shareholders' Equity

Restrictions on Dividends and Redemptions of Capital Stock:

The Company's charter provides that no dividends may be paid and no shares of capital stock acquired for value if there are dividend or redemption arrearages on any senior or equally ranked stock. Exchanges of subordinated serial preferred stock for common stock or other stock junior to such exchanged stock are permitted.

The February 1, 1993 indenture, under which the Company's 10 3/8% senior notes due 2003 were issued, limited the payment of dividends and redemptions of capital stock to the sum of $10 million plus (i) 50% of Consolidated Net Income (as defined) after April 30, 1993 and (ii) the aggregate Net Proceeds (as defined) received from the issuance or sale of capital stock after February 1, 1993. At January 31, 1996, the Company was in a deficit position of $109,655,000 in its ability to pay dividends.

Due to the above restrictions, the Company suspended dividends in the fourth quarter of Fiscal 1994 and now has cumulative dividend arrearages in the amount of $192,738 for Series 1, $209,817 for Series 3, $175,403 for Series 4, and $101,232 for $1.50 Subordinated Cumulative Preferred Stock.

HANDY & HARMAN (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Debt and Credit Agreements

All the above loans have restrictive covenants which, under the most restrictive covenants of the Company's long-term loan agreements $17,280,000 of consolidated retained earnings were unrestricted at December 31, 1995, as to the declaration of cash dividends and the acquisition of capital stock by the Company. Additionally, the agreements require the maintenance of specified ratios and a minimum tangible net worth of $134,000,000. At December 31, 1995 the Company was in compliance with all covenants.

KELLWOOD COMPANY (APR)

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

2 (In Part): Long-Term Debt

Notes payable to insurance companies are due in quarterly and semiannual installments from June 1995 through September 2005. Restrictive covenants of these notes include the maintenance of minimum working capital and certain key ratios as well as a limitation on the payment of dividends and the repurchase of Company stock. Under the most restrictive covenants, future dividends and purchases of Company stock are limited to $54,917 plus 45% of net earnings after April 30, 1995, excluding gains and losses on the disposal of capital assets.

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part) Debt:

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

A.The Company shall maintain specified net worth levels as defined in the Loan and Security Agreement. As of December 31, 1995 the Company's consolidated net worth exceeded the minimum required amount by approximately $500,000.

B. The Company shall maintain a consolidated fixed charge coverage ratio, as defined, of not less than 1.1 to 1.0, calculated at the end of each quarter for the preceding four quarters. In connection with amendments related to the Company's restructuring program, the coverage ratio was suspended for the fourth quarter of 1995, and the first half of 1996, and modified through 1997.

C. Payment of cash dividends is limited to 50% of cumulative net earnings after December 31, 1993. As of December 31, 1995 no funds are available for dividends.

Purchase Contracts

AVERY DENNISON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Commitments

The Company has an agreement to purchase certain information technology services through June 30, 2002; however, the agreement may be terminated at the Company's option on June 30, 2000. Total commitments remaining under the agreement approximated $19 million as of December 30, 1995.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Commitments and Contingencies

As of December 31, 1995, the Company has entered into long-term purchase agreements with various suppliers. Subject to the supplier's quality and performance, the purchase commitments covered by these agreements aggregate approximately $1,310 million in 1996, $1,320 million in 1997, $901 million in 1998, $769 million in 1999, and $779 million in 2000.

EASTMAN KODAK COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Commitments And Contingencies

The Company has entered into agreements with several companies to provide the Company with products and services to be used in its normal operations. The minimum payments for these agreements are approximately $102 million in 1996, $96 million in 1997, $93 million in 1998, $91 million in 1999, $28 million in 2000 and $50 million in 2001 and thereafter.

LYONDELL PETROCHEMICAL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Financial Instruments

The Company is party to various unconditional purchase obligation contracts as a purchaser for product and services. At December 31, 1995, future minimum payments under these contracts with noncancelable contract terms in excess of one year were as follows.

Millions of dollars	Amount
1996	$ 30
1997	35
1998	34
1999	35
2000	34
Thereafter	192
Total minimum contract payments	$360

The Company's total purchases under these agreements were $21 million in 1995.

SCHULLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

During 1995, the Company entered into two three-year noncancelable contracts to purchase a portion of its natural gas requirements. Expenses under these contracts totaled $2.3 million during 1995. The Company's annual obligations under these agreements are $5.8 million, $5.8 million and $2.9 million for 1996, 1997 and 1998, respectively. These purchase commitments are not expected to exceed usage requirements in any of these years.

SPEIZMAN INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Stock Redemption Agreements

The Company has an agreement with its principal holder whereby, upon his death, the Company is obligated to redeem a portion of the stock in the Company held by the estate. The redemption price for common stock is to be the fair market value of common stock, less 5%, plus any accrued dividends. In no case will the Company pay out more than the amount of life insurance proceeds received by the Company as a result of the death of the stockholder.

At July 1, 1995, there were 584,932 common shares covered by the above agreement. The face value of life insurance carried by the Company under this agreement amounts to $1,150,000.

THE WASHINGTON POST COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J (In Part): Lease And Other Commitments

The company's broadcast subsidiaries are parties to certain agreements which commit them to purchase programming to be produced in future years. At December 31, 1995, such commitments amounted to approximately $71,800,000. If such programs are not produced, the company's commitment will expire without obligation.

WEIRTON STEEL CORPORATION (DEC)

NTOES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Environmental Compliance, Legal Proceedings And Commitments

In July 1993, the Company entered into an agreement with USX Corporation to purchase blast furnace coke during the remainder of 1993 through December 1996. The agreement provides for the purchase of 750,000 tons of blast furnace coke in 1996, or the actual annual requirement of the Company if less than the stated amount. The price is to be the prevailing market price (subject to a ceiling and floor) for blast furnace coke determined each October prior to the delivery year.

Capital Expenditures

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Guarantees and Commitments

The Company previously committed itself to the building of three new engine plants in the United States. It was originally estimated that the incremental capital expenditures for these new plants and plant expansions would total $112,000,000. This amount was subsequently increased by $12,000,000, primarily to reflect more current construction cost estimates at two of the three plants. The Company was also committed to the purchase of a foundry, totaling an additional $20,000,000. A total of $101,500,000 has been spent on these projects through

the 1995 fiscal year end and is contained in the Construction In Progress account on the accompanying balance sheet.

The Company has no other material commitments for materials or capital expenditures at July 2, 1995.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

16. Commitment

At December 31, 1995, the Company had entered into a commitment to construct a building in Telford, England. This building, which is to be completed in 1996, will increase the capacity of its Custom Metrology Division. The building is estimated to cost approximately $3,800.

CENTRAL SPRINKLER CORPORATION (OCT)

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

15 (In Part): Commitments and Contingent Liabilities

The Company has made certain commitments to expand and improve the foundry and manufacturing facility for piping system components bought in July 1994 (Note 14). These commitments are for buildings, building improvements and various machinery and equipment. As of October 31, 1995, the open commitments relating to this facility were approximately $2,400. It is expected that such improvements will be completed in February 1996.

MOLEX INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

8 (In part): Commitments

As of June 30, 1995, the Company has entered into firm commitments for capital expenditures of approximately $58,029 for machinery, molds and dies.

OGDEN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26 (In Part): Commitments and Contingent Liabilities

As of December 31, 1995, capital commitments amounted to $53,400,000 for normal replacement, modernization, and growth in Services' ($42,100,000) and Projects' ($11,300,000)) operations. In addition, compliance with recently promulgated standards and guidelines under the Clean Air Act Amendments of 1990 may require additional capital expenditures of $30,000,000 during the next four years.

Employment Contracts

HON INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity and Earnings Per Share (In Part):

The Company has entered into change in control employment agreements with corporate officers and certain other key employees. According to the agreements, a change in control occurs when a third person or entity becomes the beneficial owner of 20% or more of the Company's common stock or when more than one-third of the Company's Board of Directors is composed of persons not recommended by at least three-fourths of the incumbent Board of Directors. Upon a change in control, a key employee is deemed to have a two-year employment with the Company, and all his or her benefits are vested under Company plans. If, at any time within two years of the change in control, his or her position, salary, bonus, place of work, or Company-provided benefits are modified, or employment is terminated by the Company for any reason other than cause or by the key employee for good reason, as such terms are defined in the agreement, then the key employee is entitled to receive a severance payment equal to two times salary and the average of the prior two years' bonuses.

MINNTECH CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Commitments

Severance Agreements

The Company has employment agreements with certain officers that provide severance pay benefits if there is a change in control of the Company. Under the agreements, these officers receive 100% of such severance benefits if they are involuntarily terminated and 50% of such severance benefits if they voluntarily terminate. The maximum contingent liability under these agreements at March 31, 1995 was approximately $3,469,000.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

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 29,1995, excluding bonuses, was approximately $10,000.

SCIENTIFIC INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and contingencies

Employment contracts:
On January 1, 1993, the Company extended an employment contract with its president to December 31, 1997. The contract provides for a minimum annual salary of $106,000 plus additional amounts based on the consumer price index increase in each year of the contract. The contract also provides for the payment of an annual bonus at the sole discretion of the Board of Directors. An additional agreement with the President provides that, in the event of termination of the President's employment within three years after a change of control of the Company, as defined, the Company would be liable for a maximum of three years' salary plus certain benefits. Under this employment contract, the Company's president will receive an annual salary for the calendar year ending December 31, 1995 amounting to $114,000.

The employment contract provides that, at the employee's option, a portion of the compensation may be deferred to future years. The deferred amounts are to be placed in a separate investment account and all earnings or losses will be for the benefit of the employee. As of June 30, 1995 and 1994, $45,200 and $26,700 was segregated into such an account and is included in other assets. The balance due to the employee is payable out of (but not secured by) the account, in five equal annual installments commencing after the termination of employment. In the event of a change in control of the Company, the entire balance is immediately payable. As of June 30, 1995 and 1994, $50,300 and $41,400 of accrued compensation due to the President has been deferred.

Additional Payments Related to Acquisitions

SPAN-AMERICA MEDICAL SYSTEMS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition of Healthflex, Inc.

On February 28, 1992, the Company acquired substantially all of the assets of Healthflex, Inc., a Vermont-based company which produced specialty mattress products used in the prevention and treatment of pressure ulcers. The acquisition was accounted for as a purchase.

The Healthflex acquisition agreement (as amended) also provides that the Company will be required to issue more shares of Common Stock as additional consideration during 1996. The actual number of shares that will be issued will depend on actual sales of Healthflex products and the market price of the Company's Common Stock when issued. The value of any subsequently issued shares will be allocated to cost in excess of the fair value of net assets acquired. Accordingly, the Company issued 37,740 (1995), 23,423 (1994) and 56,319 (1993) shares of its common stock valued at approximately $211,000, $128,000 and $500,000, respectively, pursuant to the agreement, resulting in corresponding increases in cost in excess of the net assets acquired.

On October 2, 1995, the Company issued 50,171 shares of its common stock at an approximate market value of $237,000 pursuant to the agreement as calculated based on 1995 sales.

Licensing Agreements

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments And Contingencies

In September 1988, the Company entered into several agreements with Patlex Corporation (Patlex) whereby the Company was granted a license to several laser related patents developed by Dr. Gordon Gould and assigned to Patlex. Under the terms of the agreements, the Company pays royalties to Patlex of 5% and 2% of certain defined domestic sales and international sales, respectively, subject to certain exceptions and limitations. Royalty expense under these agreements was $1,123,000 in fiscal 1995, $1,149,000 in fiscal 1994, and $1,093,000 in fiscal 1993. The remaining patents expire on various dates through May 2005.

STANHOME INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

The Company and its subsidiaries have entered into various licensing agreements requiring royalty payments ranging from .3% to 15.5% of specified product sales. Royalty expense under these licensing agreements totaled $36,400,000 in 1995, $31,100,000 in 1994 and $28,100,000 in 1993. Pursuant to the various licensing agreements, the future minimum guaranteed royalty payments are $14,100,000 in 1996, $13,700,000 in 1997 and $12,900,000 in 1998.

Proposed Acquisition Agreement

THE WALT DISNEY COMPANY (SEP)

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

2. Proposed Acquisition

In July 1995, the Company and Capital Cities/ABC, Inc. ("Cap Cities") entered into a reorganization agreement, pursuant to which the Company expects to acquire Cap

Cities in a transaction that will be accounted for as a purchase. The transaction has been approved by the Board of Directors of each company, and is subject to regulatory review and approval by each company's stockholders. Pursuant to the reorganization agreement, stockholders of Cap Cities will have the right to receive one share of common stock and $65 in cash, or the equivalent value in common stock or in cash, subject to certain limitations, for each of their shares. The acquisition cost is estimated to be $19 billion based upon the Company's common stock price as of the date the transaction was announced. The transaction is expected to be completed in early 1996.

Cap Cities, directly or through its subsidiaries operates the ABC Television Network, ten television stations, the ABC Radio Networks and 21 radio stations, and provides programming for cable television. Through joint ventures, Cap Cities is also engaged in international broadcast/cable services and television production and distribution. Cap Cities also publishes daily and weekly newspapers, shopping guides, various specialized and business periodicals and books, provides research services, and distributes information from databases.

The Company's consolidated results of operations will incorporate Cap Cities activity commencing upon the acquisition date. The unaudited pro forma combined information below presents combined results of operations as if the acquisition had occurred October 1, 1994 and balance sheet information as if the acquisition had occurred as of September 30, 1995. The unaudited pro forma combined information, based upon the historical consolidated financial statements of the Company and Cap Cities, assumes an acquisition cost of approximately $19 billion, and further assumes that an estimated $16 billion excess of acquisition cost over the net tangible book value of Cap Cities' assets is allocated to intangible assets with a useful life of 40 years. In addition, since the exact amounts of cash and/or shares of common stock issuable to Cap Cities stockholders are dependent upon certain elections to be made by Cap Cities stockholders and other conditions as defined in the reorganization agreement, two alternative scenarios of unaudited pro forma combined financial information are presented, which give effect to the range of possible amounts of common stock and/or cash to be received by Cap Cities stockholders upon consummation of the acquisition. Scenario 1 assumes that all Cap Cities stockholders receive one share of common stock and $65 in cash for each outstanding share of Cap Cities common stock, reflecting the maximum number of shares of common stock which could be issued in connection with the acquisition. Scenario 2 assumes that all Cap Cities stockholders receive solely cash for each outstanding share of Cap Cities common stock.

The unaudited pro forma combined information is not necessarily indicative of the results of operations of the combined company had the acquisition occurred October 1, 1994, or financial position had the acquisition occurred on September 30, 1995, nor is it necessarily indicative of future results or financial position.

	Scenario 1 Year ended Sept. 30, 1995	Scenario 2 Year ended Sept. 30, 1995
Statement of Income Data		
Revenues	$18,908.4	$18,908.4
Net income	1,368.5	987.7
Earnings per share (1)	2.00	1.86
	Scenario 1 Sept. 30, 1995	Scenario 2 Sept. 30, 1995
Balance Sheet Data		
Total assets	$33,538.6	$33,538.6
Borrowings	11,588.4	21,192.1
Stockholders' equity	15,478.1	5,874.5

(1) Earnings per share excluding amortization of intangible assets would be $2.60 and $2.64 under scenarios 1 and 2, respectively.

Credit Card Rebate Program

FORD MOTOR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments And Contingencies

The company and certain of its subsidiaries have entered into agreements with various banks to provide credit card programs that offer rebates that can be applied against the purchase or lease of Ford cars or trucks. The maximum amount of rebates available to qualified cardholders at December 31, 1995 and 1994 was $3.1 billion and $2.3 billion, respectively. The company has provided for the estimated net cost of these programs as a sales incentive based on the estimated number of participants who ultimately will purchase vehicles.

Purchase And Management Agreement

THORN APPLE VALLEY, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments

Purchase and management agreement:
In November, 1994 the Company entered into a 10 year agreement with Michigan Livestock Exchange (MLE). Under the terms of the agreement, MLE has agreed to manage and operate the Company's hog buying stations and to provide the Company with hogs in accordance with the Company's quantity and quality specifications at MLE's hog costs plus certain operating expenses. In consideration the Company will pay MLE $83,333 per month as a facilities use and management fee. In accordance with the agreement the Company has pur-

chased $2.0 million of preferred stock of MLE that pays a 6% dividend. The Company has classified the investment in MLE in other long-term assets on its consolidated balance sheet.

FINANCIAL INSTRUMENTS

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

Table 1-13 lists the off-balance-sheet financial instruments most frequently disclosed in the financial statements of the survey companies. Many survey companies disclosed fair value information for foreign currency contracts and interest rate contracts. Frequently the fair value information stated that the fair value of these contracts approximated the amount at which they were recorded in the financial statements or that the fair value was the amount payable or receivable upon contract termination. Other bases disclosed for determining fair value were market or broker quotes. Occasionally the survey companies disclosed fair value information for commodity contracts, loan commitments, and receivables sold with recourse.

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

TABLE 1-13: FINANCIAL INSTRUMENTS

	Number of Companies			
	1995	**1994**	**1993**	**1992**
Foreign currency contracts	294	294	254	228
Interest rate contracts	231	235	230	210
Commodity contracts	74	79	56	47
Guarantees:				
Debt	112	108	103	106
Lease payments	36	37	39	39
Contract performance	18	24	30	25
Support agreements	13	11	18	23
Other	23	21	19	21
Letters of credit	170	149	167	150
Sale of receivables with recourse	78	75	56	70

DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Contracts

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principal Accounting Policies

Derivative financial instruments and foreign currency transactions. Gains and losses on hedges of existing assets and 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 or losses related to hedges of firm commitments are also deferred and included in the basis of the transaction when it is completed. Gains and losses on unhedged foreign currency transactions are included in income.

Note 6 (In Part): Financial Instruments

Fair value disclosures. The carrying amounts of cash and cash equivalents, trade receivables, other current assets, accounts payable and amounts included in investments and accruals meeting the definition of a financial instrument approximate fair value. The carrying value and related estimated fair values for the company's remaining financial instruments are as follows:

	December 31, 1995	
(In millions)	Carrying Amount	Estimated Fair Value
Assets		
Foreign exchange forward contracts	$ —	$ —
Foreign currency swap agreements	$ —	$ (1.8)
Liabilities		
Total debt	$1,425.0	$1,447.6

Fair values of debt have been determined through a combination of management estimates and information obtained from independent third parties using market data, such as bid/ask spreads, available on the last busi-

ness day of the year. Fair values relating to derivative financial instruments reflect the estimated amounts that the company would receive or pay to terminate the contracts at the reporting date based on quoted market prices of comparable contracts as of December 31, 1995.

Derivative financial instruments. The company uses derivative financial instruments selectively to offset exposure to market risks arising from changes in foreign exchange rates and interest rates. Derivative financial instruments currently utilized by the company primarily include foreign currency forward contracts and foreign currency swap contracts.

The company utilizes forward contracts to hedge receivables, payables, intercompany transactions and other known transactional exposures denominated in a currency other than the functional currency of the business. The company also hedges anticipated exposures in certain circumstances where there is substantial assurance that anticipated exposures will materialize. Foreign currency hedging contracts are not taken out to protect the U.S. dollar value of the company's equity in foreign operations. Hedges are executed centrally to minimize transaction costs on currency conversions, monitor consolidated net exposures in all currencies and minimize losses due to adverse changes in foreign currency markets.

The company has entered into foreign currency swap agreements allowing the company to swap fixed-rate British pound denominated borrowings for floating rate dollar amounts. These swap agreements give the company access to additional sources of financing while limiting both foreign exchange risk and exposure to floating interest rates on U.S. borrowings.

As of December 31, 1995 and 1994, the company had approximately $318 million and $149 million, respectively, of outstanding foreign exchange and foreign currency swap contracts in which foreign currencies (primarily Belgium franc, British pound and Singapore dollar) were purchased, and approximately $459 million and $312 million, respectively, of outstanding foreign exchange and foreign currency swap contracts in which foreign currencies (primarily Canadian dollar, German mark, French franc, and Japanese yen) were sold.

Cross-currency contracts at December 31, 1995 and December 31, 1994 were not significant. Such contracts provide for the exchange of certain European currencies.

Foreign exchange contracts mature at the anticipated cash requirement date of the hedged transaction, generally within one year, except for the sale and purchase of $82 million of British pounds, which mature annually through 2001, and the sale of $13 million of Japanese yen with various maturities through 2003.

At December 31, 1995, the company had not hedged any significant firm sales or purchase commitments that qualify for hedge accounting. The majority of outstanding hedges relate to receivables, payables and intercompany transactions. Unrealized gains and losses on hedges of anticipated transactions are included in net income.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Major Accounting Policies (In Part):

Derivative Financial Instruments

In 1995, the company adopted Statement of Financial Accounting Standards No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" (SFAS No. 119) which requires various disclosures about financial instruments and related transactions. These disclosures have been incorporated in the Notes to Consolidated Financial Statements where appropriate.

The company's utilization of derivative financial instruments is substantially limited to the use of forward exchange contracts to hedge foreign currency transactions. The unrealized gains and losses are deferred and included in the measurement of the related foreign currency transaction. The amount of any gain or loss on these contracts in 1995 was immaterial. The contracts are of varying duration, none of which extend beyond December 1, 1999.

Foreign Currency

The company enters into forward exchange contracts to hedge foreign currency transactions and not to engage in currency speculation. The company's forward exchange contracts do not subject the company to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on the assets, liabilities or transactions being hedged. At October 31, 1995, the company had $82.4 million of foreign exchange contracts outstanding relating to foreign currency denominated long-term debt and interest, lease commitments and contract obligations. The forward exchange contracts generally require the company to exchange U.S. dollars for foreign currencies at maturity, at rates agreed to at inception of the contracts. If the counterparties to the exchange contracts (primarily AA rated international banks) do not fulfill their obligations to deliver the contracted currencies, the company could be at risk for any currency related fluctuations. The company limits exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in U.S. dollars or other currencies corresponding to the currency in which costs are incurred. As a result, the company generally has no need to hedge foreign currency cash flows for contract work performed. The functional currency of all significant foreign operations is the local currency.

Fair Value of Financial Instruments

The estimated fair value of the company's financial instruments are as follows:

(In thousands/ At October 31)	1995 Carrying Amount	1995 Fair Value	1994 Carrying Amount	1994 Fair Value
Assets:				
Cash and cash equivalents	$292,934	$292,934	$374,468	$374,468
Marketable securities	137,758	137,758	117,618	119,555
Notes receivable including noncurrent portion	83,515	86,769	104,117	105,088
Long-term investments	30,990	32,127	15,811	16,616
Liabilities:				
Commercial paper and notes payable	29,937	29,937	19,957	19,957
Long-term debt including current portion	27,248	28,420	62,367	64,405
Other noncurrent financial liabilities	2,572	2,572	2,691	2,691
Off-balance sheet financial instruments:				
Foreign currency contract obligations	—	(2,146)	—	219
Letters of credit	—	572	—	740
Line of credit	—	997	—	1,384

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 flow 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 financial 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.

M.A. HANNA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

The Company conducts business in various foreign currencies. As a result, it is subject to transaction exposures that arise from foreign exchange movements between the date that the foreign currency transaction is recorded and the date it is consummated. The Company has a policy of entering into firm intercompany lending transactions and hedging the foreign exchange through foreign exchange contracts. The Company has entered into such cross-currency foreign exchange contracts with maturities of up to five years to protect the Company from the risk that the future intercompany cash flows will be adversely affected by changes in exchange rates.

The Company does not hold or issue financial instruments for trading purposes.

The table below summarizes by currency the contractual amounts of the Company's foreign exchange contracts at December 31, 1995. Foreign currency amounts are translated at exchange rates as of December 31, 1995. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

	Buy	Sell
Currency		
British pound sterling	$21,797	$ —
French franc	—	19,742
German deutschmark	—	52,692
Other	2,243	—
	$24,040	$72,434

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash, Cash Equivalents and Short-Term Securities: The carrying amounts reported in the balance sheet approximate fair value.

Long and Short-Term Debt: The carrying amount of the Company's short-term borrowings approximates fair value. The fair value of the Company's Senior Notes is based on quoted market prices. The carrying amount of the Company's borrowings under its long-term revolving credit agreements and other long-term borrowings approximates fair value.

Foreign Exchange Contracts: The fair value of short-term foreign exchange contracts is based on exchange rates at December 31, 1995. The fair value of long-term foreign exchange contracts is based on quoted market prices.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1995 and 1994 are as follows:

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$111,235	$111,235	$23,105	$23,105
Notes payable to banks	1,328	1,328	931	931
Long-term debt				
9% Senior Notes	109,245	117,471	117,745	119,252
9.375% Senior Notes	118,025	138,951	118,025	122,002
Credit agreements	—	—	12,650	12,650
Other	5,464	5,464	41,132	41,132
Foreign exchange contracts	—	(2,372)	—	(1,681)

ELI LILLY AND COMPANY (DEC)

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

Note 6 (In Part): Financial Instruments

Risk-Management Instruments and Off-Balance-Sheet Risk

In the normal course of business, operations of the company are exposed to continuing fluctuations in currency values and interest rates. These fluctuations can vary the costs of financing, investing and operating. The company addresses these risks through a controlled program of risk management that includes the use of derivative financial instruments. The company's derivative activities, all of which are for purposes other than trading, are initiated within the guidelines of documented corporate risk-management policies and do not create risk because gains and losses on derivative contracts offset losses and gains on the assets, liabilities and transactions being hedged.

The notional amounts of derivatives summarized in the following paragraphs 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 company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high-credit ratings.

Foreign Exchange Risk Management: The company enters into foreign currency forward and option contracts to reduce the effect of fluctuating currency exchange rates (principally European currencies and the Japanese yen) on two types of foreign currency exposures. Exposures arising from affiliate foreign currency balances are managed principally through the use of forward contracts. These contracts are marked to market with gains and losses recognized currently in income to offset the respective losses and gains recognized on the underlying exposures. The company also enters into option contracts to hedge anticipated foreign currency transactions, primarily intercompany inventory purchases expected to occur within the next year, and foreign currency forward contracts and currency swaps to hedge firm commitments. Gains and losses on these contracts that qualify as hedges are deferred and recognized as an adjustment of the subsequent transaction when it occurs. Forward and option contracts generally have maturities not exceeding 12 months.

At December 31, the stated, or notional, amounts of the company's outstanding foreign currency derivative financial instruments were as follows:

	1995	1994
Forward exchange contracts	$838.2	$1,138.1
Foreign currency options—purchased	415.2	98.6
Foreign currency options—issued	—	62.6
Currency swaps	—	20.4

Interest Rate Risk Management: See discussion on interest rate swaps in Note 7.

Fair Value of Financial Instruments

The company determines fair values based on quoted market values where available or discounted cash flow analyses (principally long-term debt). 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 and carrying amount of risk-management instruments were not material at December 31, 1995 or 1994.

NIKE, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Derivatives:

The Company enters into foreign currency contracts in order to reduce the impact of certain foreign currency fluctuations. Firmly committed transactions are hedged with forward exchange contracts. Anticipated, but not yet firmly committed transactions may be hedged through the use of purchased options. Gains and losses related to hedges of firmly committed transactions are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Premiums paid on purchased options are included in other assets and are recognized in income in the same period as the hedged transaction, See Note 14 for further discussion.

Note 14.Financial Risk Management And Derivatives

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar net cash inflows resulting from the sale and purchase of products in foreign currencies will be adversely affected by changes in exchange rates. The Company does not hold or issue financial instruments for trading purposes. It is the Company's policy to utilize derivative financial instruments to reduce foreign exchange risks where internal netting strategies cannot

be effectively employed. Fluctuations in the value of hedging instruments are offset by fluctuations in the value of the underlying exposures being hedged.

The Company enters into forward exchange contracts to hedge certain firm purchases and sales commitments and purchases currency options to hedge certain anticipated but not yet firmly committed transactions denominated in foreign currencies. Premiums paid on purchased options are included in other assets and liabilities and recognized in earnings when the future obligation being hedged is recognized. Deferred gains and losses on forward exchange contracts are recognized in earnings when the future purchases and sales being hedged are recognized.

The estimated fair values of derivatives used to hedge the Company's risks will fluctuate over time. The fair value of the forward exchange contracts is estimated by obtaining quoted market prices. The fair value of option contracts is estimated using option pricing models widely used in the financial markets. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and the overall reduction in the Company's exposure to adverse fluctuations in foreign exchange rates. The notional amounts of derivatives summarized below do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct 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, exchange rates or other financial indices.

The following table presents the aggregate notional principal amounts, carrying values and fair values of the Company's derivative financial instruments outstanding at May 31, 1995 and 1994 (in millions).

	May 31, 1995			May 31, 1994		
	Notional Principal Amounts	Carrying Values	Fair Values	Notional Principal Amounts	Carrying Values	Fair Values
Forward Contracts	$706.2	($2.2)	($13.8)	$376.7	$—	($13.2)
Purchased Options	62.5	1.4	1.3	—	—	—
Total	$768.7	($ .8)	($12.5)	$376.7	$—	($13.2)

Net unrealized losses deferred at May 31, 1995 and 1994 were approximately $11.4 and $13.2 million, respectively. At May 31, 1995 and May 31, 1994, the Company had no contracts outstanding with maturities beyond one year.

The counterparties to derivative transactions are major financial institutions with investment grade or better credit ratings; however, the Company is exposed to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines which are continually monitored and reported to Senior Management according to prescribed guidelines. Additionally, the Company utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business. As a result, the Company considers the risk of counterparty default to be minimal.

Interest Rate Contracts

BAXTER INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

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 relating 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 interest rate-contracts that do not qualify as hedges are recognized as other income or expense.

8. Financial Instruments And Risk Management

Concentrations of credit risk
The company provides credit, in the normal course of business, to hospitals, private and government institutions, health-care agencies, insurance agencies and doctors' offices. The company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses which, when realized, have been within the range of management's allowance for doubtful accounts.

The company invests the majority of its excess cash, primarily generated through operations in Puerto Rico, in certificates of deposit with major banks there. These certificates typically have a maturity of 30 to 45 days. The company has not experienced any losses on its certificate of deposit investments.

Financial instrument use

Baxter uses financial instruments to manage its exposure to adverse movements in interest rates and foreign exchange rates. Baxter does not use financial instruments for trading purposes, nor is Baxter a party to leveraged derivatives. If Baxter did not use financial instruments, its exposure to these risks would increase.

The notional amounts of derivatives summarized below are used to calculate amounts exchanged in future periods relating to interest rates or foreign exchange rates. While the company is exposed to credit-related losses equal to the market value of the financial instrument shown below (which reflects the gain or loss at December 31, that would result from replacing the instrument in the case of non-performance by the counterparty), the company does not anticipate that any of its counterparties will fail to meet their obligations because of their high credit ratings. Where appropriate, the company has diversified its selection of counterparties, and has arranged collaterization and master-netting agreements to minimize the risk of loss.

Interest rate and debt risk management
Baxter uses forward contracts, options and interest-rate swaps from one to 10 years in duration to reduce the company's exposure to adverse movements in interest rates and lower the costs related to various debt instruments. The book values of debt at December 31, 1995 and 1994 reflect deferred hedge gains of $3 million and $7 million, offset by $6 million and $7 million of deferred hedge losses, respectively.

In 1995 and 1994, options consisted principally of caps and floors that will lower the cost of associated fixed rate debt if floating rates fall below 7.5% , and minimize the impact of increases in floating rates between 1996 and 2005. The forward starting swap consisted of a fixed to floating rate swap that became effective January 4, 1996. Hedges of anticipated transactions in 1994 consisted of forward starting swaps that hedged floating rate debt issued upon maturity of the company's notes in 1995 at a fixed rate of approximately 7%.

Interest-Rate Contracts, Market Value Gain (Loss) And Weighted-Average Interest Rates

As of December 31 (in millions)			1995			1994
	Notional amounts	Market value gain (loss)	Weighted-average interest rate	Notional amounts	Market value gain (loss)	Weighted-average interest rate
Floating to fixed rate hedges	$1,050	$(21)		$950	$57	
Average pay rate			5.8%			5.8%
Average receive rate			5.9%			6.2%
Fixed to floating rate (swapped notes)	35	1		395	(31)	
Average pay rate			5.9%			6.2%
Average receive rate			6.3%			7.3%
Options	475	32		425	13	
Forward starting swap	300	1		—	—	
Hedges of anticipated transactions	—	—		300	30	

Foreign exchange risk management

The company enters into various types of foreign exchange contracts in managing its foreign exchange risk. The amounts hedged, including the market gain (loss) on termination, are indicated in the following table:

Foreign Exchange Risk Management

As of December 31 (in millions)	1995		1994	
	Notional amounts	Market value gain (loss)	Notional amounts	Market value gain (loss)
Forwards and options used to hedge anticipated sales	—	—	$ 60	—
Forwards and swaps used to hedge certain receivables and payables	$189	$ (1)	$176	$ (2)
Forwards and swaps used to hedge net investments in foreign affiliates	$154	$(19)	$226	$(38)

The corporation enters into forward exchange contracts, options and swaps to hedge anticipated but not yet committed sales expected to be denominated in foreign currencies and certain receivables and payables. The terms of these currency financial instruments are less than two years. The purpose of the company's foreign currency hedging activities is to protect the company from the risk that the eventual dollar net cash inflows resulting from the sale of products to foreign customers and purchases from foreign suppliers and the repayment on non-U.S. dollar borrowings may be adversely affected by changes in exchange rates. The company also enters into foreign exchange contracts, for up to 10 years, to hedge its net investments in foreign affiliates. Subsequent to year-end 1995, the company entered into options to hedge anticipated but not yet committed sales expected to be denominated in foreign currencies with notional amounts totaling $166 million. The company principally hedges the following currencies: Japanese Yen, Belgian Franc, Canadian Dollar, French Franc, Swiss Franc, Spanish Peseta, Italian Lira, U.K. Pound Sterling, German Deutsch Mark, Malaysian Ringgit, Singapore Dollar and Australian Dollar.

Fair values of financial instruments

As of December 31 (in millions)	Carrying amounts 1995	Carrying amounts 1994	Approximate fair values 1995	Approximate fair values 1994
Assets				
Long-term insurance receivables	$805	$446	$633	$248
Investment in affiliates	134	163	134	235
Liabilities				
Notes payable to banks	59	131	59	131
Short-term borrowings classified as long-term	1,174	1,042	1,174	1,042
Other long-term debt and lease obligations	1,358	1,699	1,489	1,694
Interest rate and foreign exchange hedges[1]	9	18	7	(29)
Long-term litigation liabilities	678	458	532	254

1 Interest rate hedge carrying amounts are included in corresponding debt balances.

The carrying values of cash and cash equivalents, accounts receivable and payable, and accrued liabilities, approximate fair value due to the short-term maturities of these assets and liabilities.

Investments in affiliates are accounted for by both the cost and equity methods and pertain to several minor equity investments in companies for which fair values are determined by quoted market prices and others for which fair values are not readily available, but are believed to exceed carrying amounts.

The aggregate fair value of notes payable to banks and short-term borrowings approximates its carrying amount because of the recent and frequent repricing based on market conditions. The fair value of other long-term debt and lease obligations was based on quoted market prices for the same or similar issues, giving consideration to quality, interest rates, maturity and other significant characteristics. The aggregate fair value of hedges was based on market valuations and is equivalent to the credit exposures at each December 31 for these instruments. Although the company's litigation has not yet been settled, the estimated fair values of insurance receivables and long-term litigation liabilities were computed by discounting the expected cash flows based on currently available information.

BURLINGTON INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Q. Financial Instruments

The Company utilizes interest rate agreements and foreign exchange contracts to manage interest rate and foreign currency exposures. The principal objective of such contracts is to minimize the risks and/or costs associated with financial and global operating activities. The Company does not utilize financial instruments for trading or other speculative purposes. The counterparties to these contractual arrangements are a diverse group of major financial institutions with which the Company also has other financial relationships. The Company is exposed to credit loss in the event of nonperformance by these counterparties. However, the Company does not anticipate nonperformance by the other parties, and no material loss would be expected from non-performance by any one of such counterparties.

INTEREST RATE INSTRUMENTS: The Company enters into interest rate swap, cap and collar agreements to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rate for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The differential paid or received on interest rate agreements is recognized as an adjustment to interest expense. The initial cost of interest rate cap agreements is recorded in intangibles and Deferred Charges in the consolidated balance sheet and is amortized over the life of the agreement.

As of September 30, 1995, the Company has purchased interest rate caps (i) on $300.0 million notional principal amount at 5.50% and on $500.0 million notional principal amount at 4.50% for the 1995 fiscal year, (ii) on $350.0 million notional principal amount at 6.0% and $150.0 million notional principal amount at 9.5% for the 1996 fiscal year, (iii) on $100.0 million notional principal amount at 9.5% for the one year period commencing April 22, 1996, and (iv) on $300.0 million notional principal amount at 9.5% and $200.0 million notional principal amount at 10.0% for the 1997 fiscal year. The caps purchased are intended to provide partial protection to the Company from exposure to a higher floating interest rate scenario during the periods covered. The Company has also entered into swap transactions pursuant to which it has exchanged its floating rate interest obligations on (i) $200.0 million notional principal amount for a fixed rate payment obligation of 7.37% per annum for the five-year period beginning October 20, 1995, and (ii) $25 million notional principal amount for a fixed rate payment obligation of 5.92% for the one year period commencing October 20, 1995. The fixing of the interest rates for these periods minimizes in part the Company's exposure to the uncertainty of floating interest rates during this five-year period. The Company has also entered into interest rate collar agreements which effectively set maximum and minimum interest rates on (i) $100.0 million notional principal amount ranging from a floor of 5.42% (the Company would pay 5.42% even if rates fall below that level) to a maximum or cap of 6.0% for the one year period commencing October 20, 1995 and (ii) $50.0 million notional principal amount ranging from 4.75% to 7.0% and $50.0 million notional principal amount ranging from 5.03% to 7.0%, each for the one year period commencing October 20, 1996.

As of October 1, 1994, the Company had entered into an interest rate swap agreement with certain lenders providing bank financing. The agreement effectively fixed the interest rate on floating rate debt at a rate of 3.6% for notional principal amount of $500.0 million through October 20, 1994. The Company also purchased interest rate caps on $200.0 million notional principal amount at 3.3% through October 20, 1994.

The cap, swap and collar rates are based on 3-month LIBOR and are exclusive of the Applicable Percentage (see Note F) or other charges the Company might then incur on its floating rate obligations or to acquire the cap instrument.

FOREIGN EXCHANGE INSTRUMENTS: The Company enters into forward currency exchange contracts in the regular course of business to manage its exposure against foreign currency fluctuations on sales, raw material and fixed asset purchase transactions denominated in foreign currencies. Foreign currency receivables which have forward exchange contracts are recorded in U.S. dollars at the applicable forward rate. The foreign exchange contracts on receivables ($10.4 million and $7.1 million at September 30, 1995 and October 1, 1994, respectively) require the Company to exchange British pounds, German marks, French francs, Canadian dollars and Italian lira for U.S. dollars and generally mature within three months. Forward exchange contracts related to raw material and fixed asset purchase transactions are recognized as adjustments to the bases of the underlying assets. At September 30, 1995, the Company had $8.2 million of forward currency exchange contracts maturing in one to six months which related to purchases of wool and machinery denominated in Australian dollars, German marks, French francs, and Swiss francs, compared to $3.7 million at October 1, 1994. At September 30, 1995 and October 1, 1994, deferred gains and losses on foreign exchange contracts are not material to the consolidated financial statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS: The following methods and assumptions were used in estimating the indicated fair values of the Company's financial instruments:

Cash and Cash Equivalents: The carrying amount approximates fair value because of the short maturity of those instruments.

Short-term Investments: The fair values of these instruments are estimated based on quoted market prices for these or similar instruments.

Long-term Investments and Receivables: The fair values of these investments are estimated based on one of the following methods: (i) quoted market prices; (ii) current rates for similar issues; (iii) recent transactions for similar issues; or (iv) present value of expected cash flows.

Short-Term and Long-Term Debt: The fair value of the Company's debt is estimated based on current rates offered to the Company for similar debt. Short-term borrowings at September 30, 1995 and October 1, 1994 consisted of bank notes of foreign operations at weighted average interest rates of 40.5% and 21.0%, respectively.

Interest Rate Instruments: The fair values of interest rate instruments are the estimated amounts that the Company would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the counterparties. At September 30, 1995, and October 1, 1994, interest rate instruments included in the consolidated balance sheet were $5.74 million and $6.20 million, respectively. At September 30, 1995, the Company estimates it would have paid $7.69 million and at October 1, 1994 would have received $17.86 million to terminate the agreements.

Foreign Currency Contracts: The fair values of foreign currency contracts (used for hedging purposes) are estimated by obtaining quotes from brokers. At September 30, 1995 and October 1, 1994, there were no carrying amounts related to foreign currency contracts in the consolidated balance sheets. Foreign currency contracts to receive $2.20 million had an estimated fair value to receive $2.41 million at September 30, 1995, compared to foreign currency contracts to receive $3.44 million with an estimated fair value to receive $3.47 million at October 1, 1994.

It is estimated that the carrying value of the Company's other financial instruments approximated fair value at September 30, 1995 and October 1, 1994.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

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

5 (In Part): Derivative Financial Instruments

Interest Rate Risk Management: The Company uses interest rate swaps and other risk management instruments to manage its fixed/floating debt profile. The use of interest rate swaps and other risk management instruments had a favorable impact on interest expense of $3 million and $12 million in 1995 and 1994, respectively. The Company's activities in 1995 and 1994 with respect to derivative financial instruments that were significant to the Company are discussed further below.

During 1995 and 1994, the Company was party to an interest rate swap covering debt with a total amount of $150 million outstanding. This swap, currently outstanding and expiring in December 1996, changes the floating interest rate exposure on $150 million of commercial paper to fixed interest rate exposure.

During 1995 and 1994, the Company was party to two additional interest rate swaps with notional amounts ranging from $250 million to $500 million. At December 31, 1995 and 1994, the outstanding notional amounts were $250 million and $493 million, respectively. These swaps changed fixed interest rate exposure to floating interest rate exposure on (i) $250 million 8% Debentures due 2022 and (ii) $250 million of the $750 million 8.5% Debentures due 2022. The notional amounts of these swaps are amortized (i.e., reduced) quarterly dependent upon interest rate fluctuations. The notional amount of the swap entered into in 1991 and designated for the 8.5% Debentures began being amortized in 1994 and was fully amortized during 1995. The notional amount of the swap entered into in 1993, with a final maturity date in 2023, designated for the 8% Debentures may begin to amortize in 1996. The expiration date of the remaining swap is the earlier of (i) the notional amount being reduced to zero or (ii) the final maturity date.

The fixed to floating swaps are subject to a bilateral security agreement allowing one party to the agreement to require the second party to the agreement to establish a cash collateral account equal to the fair value of the swap adjusted by a threshold amount. Collateral amounts deposited by the Company totaled $9 million and $31 million at December 31, 1995 and 1994, respectively.

The Company uses Eurodollar futures contracts to hedge its floating interest rate exposure on portions of the above swaps. During 1995 and 1994, the Company was party to Eurodollar futures contracts with notional amounts aggregating $250 million extending through June 1996. Deferred (losses)/gains were $(1) million and $8 million at December 31, 1995 and 1994, respectively. Deferred gains or losses are amortized as adjustments to interest expense over the three-month contract period beginning on the final settlement date of each contract.

The Company uses LIBOR caps to reduce the potential impact of increases in interest rates on commercial paper. LIBOR caps limit the Company's interest costs on specified amounts of commercial paper to a maximum rate. Premiums paid for LIBOR caps are amortized to interest expense over the terms of the LIBOR caps. During 1995 and 1994, the Company had LIBOR caps outstanding with notional amounts ranging from $50 million to $600 million. At December 31, 1995 and 1994, the Company had $450 million and $50 million, respectively, of LIBOR caps outstanding. No amounts were received during 1995 or 1994 under LIBOR cap agreements.

Currency Risk Management: The Company uses currency forwards and options to hedge certain intercompany debt principal and interest payments from the Netherlands. At December 31, 1995, the Company was not a participant in currency forwards or options. At December 31, 1994, the Company had currency forwards and options outstanding to exchange Dutch florins for U.S. dollars in the amount of $1 million. During 1995 and 1994, currency forwards and options to exchange Dutch florins for U.S. dollars in the amount of $37 million and

$15 million, respectively, settled or expired. These forwards and options resulted in realized losses of less than $1 million in each year. Gains or losses deferred at December 31, 1995 and 1994 for currency forwards and options were not significant.

Credit Risk: The Company is exposed to credit losses in the event of nonperformance by counterparties on interest rate swaps and other risk management instruments. The Company does not believe there is a significant risk of nonperformance by any of the parties to these instruments. Amounts due to the Company under these agreements were not significant at December 31, 1995.

6. Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments at December 31 are summarized as follows (in millions; (liability/asset):

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 8	$ 8	$ 22	$ 22
Long-term debt	(4,201)	(4,685)	(4,187)	(4,060)
Warrants	—	—	—	(8)
Futures contracts	—	(1)	—	8
Interest rate swaps	—	(12)	—	(49)

The following methods and assumptions are used 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 term of commercial paper instruments and the variable interest rate on variable debt result in the recorded liabilities of these instruments approximating 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 using 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 were estimated at December 31, 1994 based on valuations from investment banks. The debt warrants outstanding at December 31, 1994 were exercised during 1995 for the issuance of 8.35% Zero Coupon Notes due 2020 (refer to Note 4).

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 investment banks.

FLEMING COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Financial Instruments: Interest rate hedge transactions and other financial instruments are utilized to manage interest rate exposure. The difference between amounts to be paid or received is accrued and recognized over the life of the contracts. The methods and assumptions used to estimate the fair value of significant financial instruments are discussed in the Investments and Notes Receivable and Long-Term Debt notes.

Long-Term Debt (In Part):

Derivatives: The company enters into interest rate hedge agreements with the objective of managing interest costs and exposure to changing interest rates. The classes of derivative financial instruments used include interest rate swaps and caps. The bank credit agreement requires the company to provide interest rate protection on a substantial portion of the related outstanding indebtedness. Strategies for achieving the company's objectives have resulted in the company maintaining interest rate swaps and caps covering $850 million and $1 billion aggregate principal amount of floating rate indebtedness at year-end 1995 and 1994, respectively.

These amounts exceed the requirements set forth in the bank credit agreement. The maturities for hedge agreements range from 1997 to 2000. The counterparties to these agreements are major national and international financial institutions.

The interest rate employed on most of the company's floating rate indebtedness is equal to the London interbank offered rate ("LIBOR") plus a margin. The average fixed interest rate paid by the company on the interest rate swaps is 6.95%, covering $600 million of floating rate indebtedness. The interest rate swap agreements, which were implemented through six counterparty banks, and which have an average remaining life of 2.9 years, provide for the company to receive substantially the same LIBOR that the company pays on its floating rate indebtedness. For the remaining $250 million of its floating rate indebtedness, the company has purchased interest rate cap agreements from an additional two counterparty banks. The agreements cap LIBOR at 7.33% over the next three years.

The notional amounts of interest rate swaps and caps do not represent amounts exchanged by the parties and are not a measure of the company's exposure to credit or market risks. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the hedge agreements. Notional amounts are not included in the consolidated balance sheet.

The company believes its exposure to potential loss due to counterparty nonperformance is minimized primarily due to the relatively strong credit ratings of the counterparty banks for their unsecured long-term debt (A- or higher from Standard & Poor's Ratings Group or A2 or higher from Moody's Investor Service, Inc.) and the size and diversity of the counterparty banks.

The hedge agreements are subject to market risk to the extent that market interest rates for similar instruments decrease, and the company terminates the hedges prior to maturity. Changes in the fair value of the hedge agreements offset changes in the fair value of the referenced debt. In 1995, the company terminated $150 million notional principal of interest rate swaps at an immaterial cost. These terminations occurred because the company repaid more referenced debt than scheduled.

Derivative financial instruments are reported in the balance sheet when the company has made a cash payment upon entering into or terminating the transaction. The carrying amount is amortized over the initial life of the hedge agreement. The company had a financial basis of $5 million and $7 million in the interest rate cap agreements at year-end 1995 and 1994, respectively. In addition, accrued interest payable or receivable for the interest rate agreements is included in the balance sheet. Payments made under obligations or received for receivables are accounted for as interest expense.

Fair Value of Financial Instruments: The fair value of long-term debt was determined using valuation techniques that considered cash flows discounted at current market rates and management's best estimate for instruments without quoted market prices. At year-end 1995 and 1994, the carrying value of debt exceeded the fair value by $38 million and $14 million, respectively.

For derivatives, the fair value was estimated using termination cash values. At year-end 1995, interest rate hedge agreement values would represent an obligation of $27 million, and at year-end 1994, an asset of $32 million.

THE PROCTER & GAMBLE COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of dollars except per share amounts)

1 (In Part): Summary of Significant Accounting Policies

Derivative Instruments: The Company enters into derivative instruments to manage exposure to fluctuations in interest rates, foreign exchange rates, and certain raw material prices.

The interest rate differential on interest rate swap contracts used to hedge underlying debt obligations is reflected as an adjustment to interest expense over the life of the swaps. Written options are marked-to-market on a current basis through income.

Gains and losses related to qualifying hedges of foreign currency firm commitments or anticipated transactions are recognized in income when the hedged transaction occurs. Gains or losses on currency swaps or foreign currency denominated debt that qualify as hedges of net assets in foreign subsidiaries are offset against the translation reflected in shareholders' equity. Other foreign exchange contracts are marked-to-market on a current basis through income.

Commodity instruments are accounted for as hedges, with any realized gains or losses included in inventory, to the extent they are designated and are effective as hedges of anticipated commodity purchases.

6. Risk Management Activities

The Company is exposed to market risk from changes in interest rates, currency exchange rates, and certain commodity prices. To manage the volatility relating to these exposures, the Company enters into various derivative transactions pursuant to the Company's policies in areas such as counterparty exposure and hedging practices. Positions are monitored using techniques such as market value and sensitivity analyses. The Company does not hold or issue derivative financial instruments for trading purposes and is not a party to leveraged instruments.

Interest Rate Management

The Company's policy is to manage interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

The following table presents information for outstanding interest rate swaps.

	1995		1994	
June 30	1995-2000	Beyond 2000	1994-1999	Beyond 1999
Pay Fixed:				
Notional amount	$845	$914	$593	$881
Weighted average receive rate	4.9%	5.8%	5.4%	6.2%
Weighted average pay rate	5.9%	7.0%	6.1%	7.8%
Pay Variable:				
Notional amount	$535	$171	$504	$171
Weighted average receive rate	6.3%	9.3%	6.2%	9.2%
Weighted average pay rate	6.8%	7.7%	5.7%	6.0%

Options and warrants may also be used to manage the Company's overall risk profile. The notional amounts of such instruments have declined to $300 at June 30, 1995 from $1,394 at June 30, 1994, reflecting actions by management to reduce the exposure to written options.

The following table presents information for all interest rate instruments. The notional amount does not necessarily represent amounts exchanged by the parties and, therefore, is not a direct measure of the exposure of the Company through its use of derivatives. The fair value approximates the cost to settle the outstanding contracts. The carrying value includes the net amount due to counterparties under swap contracts, currency translation associated with currency interest rate swaps, and any marked-to-market value instruments. The effect of a weaker dollar represents the majority of the fair values and carrying values presented below. Because the cur-

rency interest rate swaps are designated as a hedge of the Company's related foreign net asset exposures, the currency effects are reflected in the currency translation adjustment section of shareholders' equity, offsetting a portion of the translation of the net assets.

June 30	1995	1994
Notional amount	$2,765	$3,543
Fair value	373	239
Carrying value	298	193
Unrecognized Loss	75	46

Although derivatives are an integral part of the Company's interest rate management, their incremental effect on interest expense for 1995 and 1994 was insignificant.

Based on the Company's overall variable rate exposure at June 30, 1995, including interest rate instruments, a 300 basis point interest rate change would not have a material effect on earnings.

Currency Rate Management

The primary purpose of the Company's foreign currency hedging activities is to protect against the volatility associated with local currency purchase transactions. Corporate policy prescribes the range of hedging activity into which the subsidiary operations may enter. To execute this policy, the Company primarily utilizes forward exchange contracts and options with durations of generally less than 12 months. Because of the decentralized management of these activities, the incremental impact is not determinable. However, any change in the fair value of the instruments generally is offset by a corresponding change in the related exposure.

In addition, the Company enters into foreign currency swaps to hedge intercompany financing transactions and purchases foreign currency options to hedge against the effect of exchange rate fluctuations on royalties and foreign source income.

Currency instruments outstanding at June 30 are as follows:

June 30	Notional Amount	Carrying Value	Fair Value
1995			
Forward Contracts	$3,423	$ (8)	$(20)
Purchased Options	2,419	61	38
Currency Swaps	863	(140)	(140)
1994			
Forward Contracts	$1,873	$(10)	$ (3)
Purchased Options	1,138	10	14
Currency Swaps	646	(62)	(62)

The aggregate notional amount of currency instruments outstanding at June 30, 1995 increased over the prior year primarily due to expanded risk management activities in response to exchange rate movements during the third quarter. The impact of a weaker dollar at year end also increased the notional value of instruments in dollars. The major currency exposures hedged by the Company at June 30, 1995 include the German mark ($2,465 notional amount), U.S. dollar ($824 notional amount), British pound sterling ($811 notional amount), Belgian franc ($631 notional amount), and French franc ($535 notional amount).

Currency exposure related to the net assets of subsidiaries is managed primarily through local currency financing and foreign currency denominated financing instruments entered into by the parent company. At June 30, 1995, the Company's total foreign net assets were $7,263. Of this, approximately 20% is denominated in the German mark. The Japanese yen, Canadian dollar, British pound, Italian lira, and Mexican peso each represent between approximately 5% and 10% of the total. No other individual country represents more than 5% of the total. The Company has designated $1,386 of foreign currency instruments as hedges of its net asset exposure in certain foreign subsidiaries. These hedges offset $115 of translation effects reflected in shareholders' equity for the year ended June 30, 1995.

Commodity Price Management

Because market prices of certain raw materials depend on a number of unpredictable factors, such as weather, the Company's policy is to manage the resulting volatility using commodities contracts. At June 30, 1995 and 1994, the Company had commodities contracts outstanding, with a fair value of $(5) and $11, respectively.

SEARS, ROEBUCK AND CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies
Basis of Presentation

Off-Balance Sheet Financial Instruments

The Company utilizes various off-balance sheet financial instruments to manage the interest rate and foreign currency risk associated with its borrowings. The counterparties to these instruments are major financial institutions with credit ratings primarily of AA.

Interest rate swap agreements modify the interest characteristics of a portion of the Company's debt. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense in the statement of income. The related accrued receivable or payable is included in other assets or liabilities. The fair values of the swap agreements are not recognized in the financial statements.

Interest rate caps are used to lock in a maximum rate if rates rise, but enable the Company to otherwise pay lower market rates. The cost of interest rate caps is amortized to interest expense over the life of the caps. Payments received due to the interest rate caps reduce interest expense. The unamortized cost of the interest rate caps is included in other assets.

8 (In Part): Financial Instruments

Off-Balance Sheet Financial Instruments

The Company is a party to off-balance sheet financial instruments to manage interest rate and foreign currency risk. These financial instruments involve, to varying degrees, elements of market, credit, exchange and interest rate risk in excess of amounts recognized in the balance sheet. The Company does not require collateral or other

security to support the financial instruments with credit risk, unless noted otherwise.

Debt-related
The Company had the following off-balance sheet financial instruments related to its outstanding borrowings at Dec. 30, 1995 and Dec. 31, 1994:

	December 30, 1995		
(Millions)	Contract or Notional Amount	Fair Value	Carrying Value
Interest rate swap agreements:			
Pay floating rate, receive fixed rate	$805	$35	$—
Pay fixed rate, receive floating rate	1,411	(504)	—
Interest rate cap agreement	200	—	—
Foreign currency hedge agreements	110	5	—

	December 31, 1994		
(Millions)	Contract or Notional Amount	Fair Value	Carrying Value
Interest rate swap agreements:			
Pay floating rate, receive fixed rate	$805	$(37)	$—
Pay fixed rate, receive floating rate	752	(180)	—
Interest rate cap agreements	450	2	—

The Company uses interest rate swaps and caps to manage the interest rate risk associated with its borrowings and to manage the Company's allocation of fixed and variable rate debt. For pay floating rate, receive fixed rate swaps, the Company paid a weighted average rate of 6.00% and received a weighted average rate of 6.83% in 1995. For pay fixed rate, receive floating rate swaps, the Company paid a weighted average rate of 8.60% and received a weighted average rate of 6.27% in 1995. The fair values of interest rate swaps and caps are based on prices quoted from dealers. If a counterparty fails to meet the terms of a swap or cap agreement, the Company's exposure is limited to the net amount that would have been received, if any, over the agreement's remaining life.

Maturity dates of the off-balance sheet financial instruments outstanding at Dec. 30, 1995 were as follows:

	Notional amount		
(Millions)	1 year	2-5 years	Over 5 years
Interest rate swap agreements	$443	$1,206	$567
Interest rate cap agreement	—	200	—
Foreign currency hedge agreements	100	10	—

Commodity Contracts

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of dollars)

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

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 underlying hedged transaction occurs. If, subsequent to being hedged, underlying transactions are no longer likely to occur, the related derivatives gains and losses are recognized currently in income. Gains and losses on derivatives contracts that do not qualify as hedges are recognized currently in "Other income."

Note 6 (In Part): Financial And Derivative Instruments

Off-Balance-Sheet Risk. The company utilizes a variety of derivative instruments, both financial and commodity based, as hedges to manage a small portion of its exposure to price volatility stemming from its integrated petroleum activities. Relatively straightforward and involving little complexity, these instruments consist mainly of crude oil and natural gas futures contracts traded on the New York Mercantile Exchange and the International Petroleum Exchange, and natural gas swap contracts, en-

tered into principally with major financial institutions. The futures contracts hedge anticipated crude oil and natural gas purchases and sales, generally forecasted to occur with a 60-day period. Natural gas swaps are primarily used to hedge firmly committed sales, and the terms of the swap contracts held have an average maturity of 20 months. Gains and losses on these derivative instruments offset and are recognized concurrently with gains and losses from the underlying commodities. In addition, the company in 1995 entered into a managed program utilizing natural gas contracts to take advantage of perceived opportunities for favorable price movements in this commodity. The results of this program are reflected currently in income and were not material in 1995.

The company enters into forward exchange contracts, generally with terms of 90 days or less, as a hedge against some of its foreign currency exposures, primarily anticipated purchase transactions forecasted to occur within 90 days.

The company enters into interest rate swaps as part of its overall strategy to manage the interest rate risk on its debt. Under the terms of the swaps, net cash settlements, based on the difference between fixed-rate and floating-rate interest amounts calculated by reference to agreed notional principal amounts, are made either semiannually or annually, and are recorded monthly as "Interest and debt expense." At December 31, 1995, the seven contracts have remaining terms of between one and ten years.

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Fair Value. Fair values are derived either from quoted market prices where available or, in their absence, the present value of the expected cash flows. The fair values reflect the cash that would have been received or paid if the instruments were settled at year-end. At December 31, 1995 and 1994, the fair values of the financial and derivative instruments were as follows:

Long-term debt of $2,333 and $2,155 had estimated fair values of $2,492 and $2,127.

The notional principal amounts of the interest rate swaps totaled $1,223 and $850, with approximate fair values totaling $(26) and $33. The notional amounts of these and other derivative instruments, do not represent assets or liabilities of the company but, rather, are the basis for the settlements under the contract terms.

The company holds cash equivalents and U.S. dollar marketable securities in domestic and offshore portfolios. Eurodollar bonds and floating-rate notes are the primary instruments held. Cash equivalents and marketable securities had fair values of $1,219 and $1,178. Of these balances, $446 and $285 classified as cash equivalents had average maturities under 90 days, while the remainder, classified as marketable securities, had average maturities of one year and four years.

For other derivatives the contract or notional values for 1995 and 1994 were as follows: Crude oil and natural gas futures had contract values of $57 and $68. Forward exchange contracts had contract values of $102 and $60. The fair values for these derivative instruments approximated their contract values. Gas swap contracts, based on notional gas volumes of approximately 180 and 149 billion cubic feet, had negative fair values totaling $(33) and $(38). Deferred gains and losses that have been accrued on the Consolidated Balance Sheet are not material.

DURACELL INTERNATIONAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars amounts in millions)

1 (In Part): Summary of Significant Accounting Policies

Derivative Financial Instruments

The Company does not speculate in derivatives. The Company uses three principal types of derivatives: foreign exchange contracts (which reduce the Company's cash flow exposures to changes in currency exchange rates), commodity swap contracts (which effectively fix the commodity price to the Company); and interest rate swaps (which effectively convert a portion of the Company's variable rate obligations to a fixed rate). The fair value of forward contracts which hedge firm third party commitments is deferred and recognized as part of the related foreign currency transactions as they occur. Forward contracts related to anticipated intercompany purchases and sales are marked to market through other income (expense). Commodity swap contracts are accounted for on a settlement basis, with the net amounts paid or received under such contracts included in the cost of the commodity acquired. Interest rate swaps are also accounted for on a settlement basis, with net interest paid or received on the swaps included in interest expense. See Note 11 for more information regarding the Company's derivative financial instruments.

11 (In Part): Financial Instruments

The Company uses derivative financial instruments to reduce its exposures to changes in interest rates, commodity prices and foreign exchange rates. The Company does not hold or issue financial instruments for trading or speculative purposes. The notional amounts of derivatives summarized in this Note do not represent amounts actually exchanged by the parties. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates, commodity prices and exchange rates. While these instruments are subject to the risk of loss from changes in exchange and interest rates, and commodity prices, those losses would generally be offset by gains on the related exposures.

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail as all counterparties have investment grade credit ratings.

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Commodity swaps

The Company is exposed to risk from fluctuating prices for commodities used in the manufacture of batteries. Some of this risk is hedged through commodity swaps executed over the counter with a commercial bank. The Company utilizes commodity swaps to effectively fix the price the Company will pay for zinc, which is a principal component in the manufacturing process, over the life of

the swap. Cost of products sold reflects the commodity cost including the effects of the commodity swaps. As of June 30, 1995 and 1994 $26.6 and $22.9, respectively, of commodity swaps were outstanding, maturing through June 30, 1997. The maturity of the contracts highly correlates to the actual purchases of the commodity. Under such contracts the Company pays the counterparty at a fixed rate, and receives from the counterparty a floating rate per pound of zinc, only the net differential is actually paid or received. The amounts paid or received are calculated based on the notional amounts under the contracts. The use of such commodity swaps effectively protects the Company against an increase in the price of the commodity, to the extent of the notional amount under the contract. This also effectively prevents the Company from benefiting in the event of a decrease in the price of the commodity, to the extent of the notional amount under the contract. The fair value of commodity swaps as of June 30, 1995 and 1994 was unfavorable $0.5 and $0.9, respectively, based on dealer quotes. This fair value has not been recorded by the Company as of June 30, 1995, and will be reflected in the cost of the commodity as it is actually purchased.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

O. Risk Management Contracts: In the normal course of its business, the Company uses forward sales commitments and commodity put and call option contracts to manage its exposure to fluctuations in the prices of certain metals which it produces. Contract positions are designed to ensure that the Company will receive a defined minimum price for certain quantities of its production. Gains and losses, and the related costs paid or premium received, for contracts which hedge the sale prices of commodities are deferred and subsequently included in income as part of the hedged transaction. Revenues from the aforementioned contracts are recognized at the time metals are available for shipment to the refineries. The Company is exposed to certain losses, generally the amount by which the contract price exceeds the spot price of a commodity, in the event of nonperformance by the counterparties to these agreements.

Note 11: Fair Value of Financial Instruments

The following estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

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. Potential income tax ramifications related to the realization of unrealized gains and losses that would be incurred in an actual sale or settlement have not been taken into consideration.

The carrying amounts for cash and cash equivalents, accounts and notes receivable, restricted investments and current liabilities are a reasonable estimate of their fair values. Fair value for equity securities investments available for sale is determined by quoted market prices. The fair value of long-term debt is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for debt with similar remaining maturities.

The estimated fair values of financial instruments are as follows *(in thousands):*

December 31,	1995		1994	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Financial assets				
Cash and cash equivalents	$4,024	$4,024	$7,278	$7,278
Accounts and notes receivable	25,571	25,571	23,516	23,516
Investments				
Equity securities available for sale	455	455	5,276	5,276
Restricted	16,254	16,254	13,553	13,553
Gold forward sales contracts	—	228	—	(A)
Gold put options	—	436	—	621
Financial liabilities				
Current liabilities	25,965	25,965	23,485	23,485
Long-term debt - principal	36,104	35,563	1,960	1,804
Gold call options	—	134	—	599

(A) Fair value information is not available.

THE LOUISIANA LAND AND EXPLORATION COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Financial Instruments and Hedging Activities. The Company's anticipated hydrocarbon transactions and its committed British pound currency expenditures are periodically hedged against market risks through the use of various derivative financial instruments. The gains and losses on these instruments are included in the valuation of the transactions being hedged upon completion of the transactions. The Company also manages the interest rate components of its debt portfolio through the use of swap agreements. Gains and losses on swap agreements are accrued to interest expense on a monthly basis over the terms of the agreements. Gains and losses on closed swap agreements are deferred and amortized over the original terms of the agreements.

9 (In Part): Financial Instruments And Hedging Activities

The Company uses derivative financial instruments to manage well-defined interest rate, foreign currency and

commodity price risks and does not use them for speculative purposes.

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The Company also used futures, forwards, options and swap contracts to reduce price volatility of refinery feedstock and the sale of refined products produced therefrom. Although generally settled in cash, these contracts permit settlement by delivery of commodities. At December 31, 1995, the Company had contracts maturing monthly through June 1996 covering the net purchase of 9.6 million barrels of feedstock totaling $181 million and the net sale of 9.6 million barrels of refined products totaling $209.8 million. The gains or losses resulting from market changes will be offset by losses or gains on the Company's hedged inventory or production. The Company processed over 17 million barrels of crude oil and sold more than 18 million barrels of refined products in 1995 and had approximately 2.2 million barrels of crude oil and petroleum products in its refinery inventories at December 31, 1995. At December 31, 1994, the Company had similar contracts covering the net purchase of 1.4 million barrels of feedstock totaling $25.5 million and the net sale of 1.4 million barrels of refined products totaling $30.1 million.

In 1995, the Company initiated a hedging program designed to minimize the price risk associated with future natural gas and crude oil production. This program utilizes futures, forwards, options and swap contracts in a series of transactions designed to set a floor price for future production and at the same time allow the Company to participate in market price increases above a set level over the floor price. At December 31, 1995, approximately 27 billion British Thermal Units (BTU) of 1996 natural gas production for the period January through April were covered by a series of transactions designed to set an average floor price of $1.78 per million BTU and at the same time allow the Company to participate in natural gas price increases more than $0.20 per million BTU above the floor price. While these transactions have no carrying value, their fair value, represented by the estimated amount that would be required to terminate the contracts, was a net cost of $2.4 million at December 31, 1995. (The Company estimates that its domestic natural gas production averages approximately 1.07 million BTU for each thousand cubic feet). In addition, approximately 2.3 million barrels of 1996 crude oil production for the period January through February were covered by a series of transactions designed to set an average floor price of $18.81 per barrel and at the same time allow the Company to participate in crude oil price increases more than $1.34 per barrel above the floor price. While these transactions have no carrying value, their fair value, represented by the estimated amount that would be required to terminate the contracts, was a net cost of $.9 million at December 31, 1995.

These financial instruments are generally executed on the New York Mercantile Exchange or with major financial or commodities trading institutions which, along with cash and cash equivalents and accounts receivable, expose the Company to acceptable levels of 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.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Financial Instruments

The company enters into various financial instruments in the normal course of business to help manage certain assets and liabilities. The agreements are with major financial institutions which are expected to fully perform under the terms of the instruments, thereby mitigating the credit risk from the transactions.

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The company uses commodity options to hedge anticipated purchases of aluminum. Under commodity options, the company pays a premium which results in a cash payment to the company in the amount by which the commodity price exceeds the strike price of the option at maturity, unless the company sells the option prior to its expiration. The company amortizes the cost of the options over the term of the instruments. At September 30, 1995 the company had options covering approximately 50% of annual forecasted aluminum purchases. The fair market value of these options was $2.8 million at September 30, 1995. The fair market value was obtained from a major financial institution based upon the market value of those options at September 30, 1995.

Equity Contracts

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

The Company uses financial instruments, principally swaps, forward contracts and options, to manage foreign currency and interest rate exposures and to hedge certain employee benefit costs. These contracts hedge transactions and balances for periods consistent with its committed exposures and do not constitute investments independent of these exposures. The Company does not hold or issue financial instruments for trading purposes, nor is it a party to any leveraged contracts.

Realized and unrealized foreign exchange gains and losses on financial instruments are recognized and offset foreign exchange gains and losses on the underlying exposures. The interest differential paid or received on swap and forward agreements is recognized as an adjustment to interest expense.

In December 1995, the Company purchased an out-of-the-money, foreign currency weighted-average basket put option that partially protects 1996 U.S. dollar results of foreign operations in selected currencies. The strike

price is $847 million, with a cost of $4.7 million. The option, which matures in 1996, is marked to market and included within profit from operations. At December 31, 1994, similar contracts, which expired unexercised in 1995, had a strike price of $520 million and a cost of $5.7 million.

The Company has also hedged certain employee benefit expenses linked to its stock price by entering into equity swap and option contracts that mature in 1998 and 2002, respectively. At December 31, 1995, the notional principal amount of such contracts was $33 million, with a cost of $2.8 million. The cost is amortized over the duration of the contracts, and gains or losses are recognized as adjustments to the carrying amount of the underlying liabilities.

The above amounts exclude the swap and forward agreements described in the Debt note.

Several major international financial institutions are counterparties to the Company's financial instruments. It is Company practice to monitor the financial standing of the counterparties and to limit the amount of exposure with any one institution. The Company may be exposed to credit loss in the event of nonperformance by the counterparties to these contracts, but does not anticipate such nonperformance.

With respect to trade receivables, concentration of credit risk is limited, due to the diverse geographic areas covered by Company operations. Any probable bad debt loss has been provided for in the allowance for doubtful accounts.

The estimated fair values of the Company's financial instruments are summarized as follows.

(Millions of dollars)	Carrying Amount	Estimated Fair Value
December 31, 1995		
Long-term investments	$ 86.7	$ 89.3
Total long-term debt.............	(717.6)	(722.2)
Foreign currency and interest rate contracts.................	(19.6)	(25.9)
Equity contracts	3.2	3.3
December 31, 1994		
Long-term investments	$ 63.8	$ 63.8
Total long-term debt.............	(743.2)	(685.3)
Foreign currency and interest rate contracts.................	10.3	(53.6)

The carrying amounts for cash, short-term investments, receivables, accounts payable and accrued liabilities, and loans payable approximate fair value because of the short maturity of these instruments. The fair value of long-term investments is estimated based on quoted market prices. The fair value of long-term debt, including the current portion, is estimated based on current rates offered to the Company for debt of the same remaining maturities. The fair values of foreign currency, interest rate and equity contracts are estimated based on dealer quotes. These values represent the estimated amount the Company would receive or pay to terminate agreements, taking into consideration current market rates and the current creditworthiness of the counterparties.

Put Option

PEPSICO, INC. (DEC)

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

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

Derivative Instruments. PepsiCo's policy prohibits the use of derivative instruments for trading purposes and PepsiCo has procedures in place to monitor and control their use.

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A seven-year put option, issued in connection with the formation of a joint venture with the principal shareholder of GEMEX, an unconsolidated franchised bottling affiliate in Mexico (see Note 17), is marked-to-market with gains or losses recognized currently as an adjustment to PepsiCo's share of the net income of unconsolidated affiliates. The offsetting amount adjusts the carrying amount of the put obligation, classified in other liabilities in the Consolidated Balance Sheet.

Note 7 - Derivative Financial Instruments

PepsiCo's policy prohibits the use of derivative instruments for trading purposes and PepsiCo has procedures in place to monitor and control their use.

PepsiCo's use of derivative instruments is primarily limited to interest rate and currency swaps, which are entered into with the objective of reducing borrowing costs. PepsiCo enters into interest rate and foreign currency swaps to effectively change the interest rate and currency of specific debt issuances. These swaps are generally entered into concurrently with the issuance of the debt they are intended to modify. The notional amount, interest payment dates and maturity dates of the swaps match the principal, interest payment dates and maturity dates of the related debt. Accordingly, any market impact (risk or opportunity) associated with these swaps is fully offset by the opposite market impact on the related debt. PepsiCo's credit risk related to interest rate and currency swaps is considered low because they are only entered into with strong creditworthy counterparties, are generally settled on a net basis and are of relatively short duration. See Note 8 for the notional amounts, related interest rates and maturities of the interest rate and currency swaps along with the original terms of the related debt and Note 9 for the fair value of these instruments.

In 1995, PepsiCo issued a seven-year put option in connection with the formation of a joint venture with the principal shareholder of GEMEX, an unconsolidated franchised bottling affiliate in Mexico. The put option allows the principal shareholder to sell up to 150 million GEMEX shares to PepsiCo at 66¢ per share. PepsiCo accounts for this put option by marking it to market with gains or losses recognized currently. The put option liability, which was valued at $26 million at the date of the original transaction, increased to $30 million by year-end, resulting in a $4 million charge to earnings.

Note 9 - Fair Value of Financial Instruments

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$ 382	$ 382	$ 331	$ 331
Short-term investments	$1,116	$1,116	$1,157	$1,157
Other assets (noncurrent investments)	$ 23	$ 23	$ 48	$ 48
Liabilities				
Debt				
Short-term borrowings and long-term debt net of capital leases	$8,921	$9,217	$9,221	$9,266
Debt-related derivative instruments				
Open contracts in asset position	(25)	(96)	(52)	(52)
Open contracts in liability position	13	26	8	54
Net debt	$8,909	$9,147	$9,177	$9,268
Other liabilities (GEMEX put option)	$ 30	$ 30	—	—
Guarantees	—	$ 4	—	$ 3

The carrying amounts in the above table are included in the Consolidated Balance Sheet under the indicated captions, except for debt-related derivative instruments (interest rate and currency swaps), which are included in the appropriate current or noncurrent asset or liability caption. Short-term 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. The fair value of the GEMEX put option is based upon a valuation model.

See Note 7 for more information regarding PepsiCo's use of derivative instruments and its management of the inherent credit risk related to those instruments.

OTHER OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

Financial Guarantees

ALBERTSON'S, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

Financial instruments with off-balance-sheet risk to the Company include lease guarantees whereby the Company is contingently liable as a guarantor of certain leases that were assigned to third parties in connection with various store closures. Minimum rentals guaranteed under assigned leases are $5.3 million in 1996 and aggregate $57.2 million for the remaining lease terms, which expire at various dates through 2020. The Company believes the likelihood of a significant loss from these agreements is remote because of the wide dispersion among third parties and remedies available to the Company should the primary party fail to perform under the agreements.

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash equivalents and receivables. The Company limits the amount of credit exposure to any one financial institution and places its temporary cash into investments of high credit quality. Concentrations of credit risk with respect to receivables are limited due to their dispersion across various companies and geographies.

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable, short-term debt and commercial paper borrowings approximate their carrying amount. The estimated fair values and carrying amounts of long-term debt borrowings (excluding commercial paper) were as follows (in millions):

	Feb. 1, 1996	Feb. 2, 1995	Feb. 3, 1994
Fair value	$483.9	$463.0	$565.4
Carrying amount	471.8	474.2	550.9

Substantially all of these fair values were determined from quoted market prices. The Company has not determined the fair value of lease guarantees due to the inherent difficulty in evaluating the credit worthiness of each tenant.

AMOCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Financial Instruments and Hedging Activities

Commitments and guarantees. In the normal course of business, the corporation has entered into contracts for the purchase of transportation capacity, materials and services over terms of up to 20 years. The remaining minimum payments required under these contracts at December 31, 1995, totaled $593 million. At December 31, 1995, contingent liabilities of the corporation included guarantees of $52 million on outstanding loans of others. The corporation also has entered into various pipeline throughput and deficiency contracts with affiliated companies. These agreements supported an estimated $6 million of affiliated company borrowings at December 31, 1995. The fair value of these commitments and guarantees is immaterial.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions And Discontinued Operations

On September 29, 1995, the Company completed the sale of its ownership interest in Space Industries International, Inc. (SIII) to a new company formed by the senior management of SIII for approximately $30.6 million in cash. In conjunction with the sale, the Company guaranteed a portion of the purchaser's debt (see Note 10). As a result of this guarantee, the Company has accounted for the SIII transaction following the treatment set forth in the Securities and Exchange Commission's Staff Accounting Bulletins - Topic 5E (SAB Topic 5E) "Accounting for divestiture of a subsidiary or other business operation." Accordingly, the assets of SIII at the sale date have been recorded under the caption "Assets of business transferred under contractual arrangements" with a corresponding amount recorded as "Liabilities and deferred credit of business transferred." A $1.6 million gain on sale of SIII has been separately deferred. The Company will continue to follow this accounting treatment until the amount of the outstanding debt guarantee declines to a level which permits the Company to record the transaction as a sale for accounting purposes.

Note 10 (In Part): Contingencies

In conjunction with the September 29, 1995 sale of Space Industries International, Inc., the Company guaranteed approximately $22.9 million of the purchaser's (Calspan SRL Corporation) debt. The guaranteed amount, which was $21.7 million at December 31, 1995, is scheduled to decline quarterly over a four year period before expiring on September 30, 1999. It is not a practicable to estimate the fair value of the guarantee; however, the Company does not anticipate that it will incur losses as a result of this guarantee.

THE COCA-COLA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Commitments and Contingencies

On December 31, 1995, the Company was contingently liable for guarantees of indebtedness owed by third parties in the amount of $202 million, of which $48 million is related to independent bottling licensees.

The Mitsubishi Bank Limited has provided a yen denominated guarantee for the equivalent of $253 million in support of a suspension of enforcement of a tax assessment levied by the Japanese tax authorities. The Company has agreed to indemnify Mitsubishi if amounts are paid pursuant to this guarantee. This matter is being reviewed by the tax authorities of the United States and Japan under the tax treaty signed by the two nations to prevent double taxation. Any additional tax payable to Japan should be offset by tax credits in the United States and would not adversely affect earnings.

In the opinion of management, it is not probable that the Company will be required to satisfy these guarantees or indemnification agreements. The fair value of these contingent liabilities is immaterial to the Company's consolidated financial statements.

COLTEC INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Financial Instruments

Coltec has an outstanding contingent liability for guaranteed debt and lease payments of $30,816,000, and for letters of credit of $45,761,000. It was not practical to obtain independent estimates of the fair values for the contingent liability for guaranteed debt and lease payments and for letters of credit without incurring excessive costs. In the opinion of management, nonperformance by the other parties to the contingent liabilities will not have a material effect on Coltec's results of operations and financial condition.

THE FAIRCHILD CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Fair Value Of Financial Instruments

Fair values for the Company's off-balance-sheet instruments (letters of credit, commitments to extend credit, and lease guarantees) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counter parties' credit standing. The fair value of the Company's off-balance-sheet instruments at June 30, 1995, is not material.

18 (In Part): Commitments And Contingencies

In connection with the sale of Metro Credit Corporation, the Company remained contingently liable as a guarantor of the payment and performance of obligations of third party lessees under aircraft leases, which call for aggregate annual base lease payments of approximately $3,094,000 in 1996, and approximately $7,942,000 over the remaining 4-year guaranty period. In each case, the Company has been indemnified by the purchasers and lessors from any losses related to such guaranties.

Letters Of Credit

THE ALLEN GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Fair Values of Financial Instruments

Off-balance-sheet instruments: 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 market place. In addition, the Company entered into a foreign currency contract, in December 1995, to offset the impact of currency rate changes against certain assets and liabilities of it Canadian subsidiary. The fair value of such contract is based on quoted market prices of comparable contracts. The carrying amounts and fair values of the Company's financial instruments at December 31, 1995 and 1994 are as follows (amounts in thousands):

	Carrying Amount	Fair Value
1995		
Cash and cash equivalents	$15,706	$15,706
Non-current investments	7,122	7,122
Long-term debt	50,177	49,315
Off balance sheet financial instruments		
Letters of credit	1,982	1,982
Foreign currency contract	4,469	4,472
1994		
Cash and cash equivalents	$55,240	$55,240
Investment securities:		
Non-current investment	6,045	6,045
Investment in Joint Venture	24,411	24,411
Long-term debt	46,054	46,054
Letters of credit	6,938	6,938

GOULDS PUMPS, INCORPORATED (DEC)

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

12 (In Part): Financial Instruments and Derivative Financial Instruments

Letters of Credit. At December 31, 1995 and 1994, the Company had performance letters of credit outstanding totaling $9,754 and $5,212, respectively, which primarily guarantee various trade activities. The contract amount of the letters of credit is fixed over the life of the commitment and is the amount at which settlement of the obligation would occur with the counterparty. The Company recognizes losses on these commitments as incurred. No material losses on these commitments have been incurred, nor are any anticipated.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingencies

Letters of Credit
The Company had outstanding irrevocable letters of credit in the amount of $6.5 million and $15.1 million as of December 31, 1995 and 1994, respectively. These letters of credit, which have terms from one month to one year, collateralize the Company's obligations to third parties for the purchase of inventory. The fair value of these letters of credit approximates contract values based on the nature of the fee arrangements with the issuing banks.

MURPHY OIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M - Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at December 31, 1995 and 1994. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The table excludes cash and cash equivalents, trade accounts receivable, trade accounts payable, and accrued expenses, all of which had fair values approximating carrying values.

	1995		1994	
(Thousands of dollars)	Carrying or Notional Amount	Estimated Fair Value	Carrying or Notional Amount	Estimated Fair Value
Financial assets				
Investments and noncurrent receivables	$10,575	10,575	10,625	10,625
Financial liabilities				
Long-term obligations including current maturities	(204,575)	(200,127)	(180,067)	(178,355)
Payables (derivatives)	(9,142)	(7,965)	(1,368)	(4,828)
Off-balance-sheet exposures				
Financial guarantees and letters of credit	(41,681)	(41,681)	(45,164)	(45,164)

The carrying amounts of financial assets and financial liabilities shown in the preceding table are included in the Consolidated Balance Sheets under the indicated captions.

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.

- Investments and noncurrent receivables: Investments in real estate held for sale and investments carried on an equity basis are excluded from the table. The carrying value of the remainder approximates fair value.

- Long-term obligations including current maturities: The fair value is estimated based on current rates offered the Company for debt of the same maturities.

- Payables (derivatives): The amounts relate to the Company's oil swap and buy/sell agreements. The negative fair value is an estimate of the amount, which is based on quotes from brokers, that the Company would be required to pay at the reporting date to cancel the agreements.

- Financial guarantees and letters of credit: The fair value is based on the estimated cost to settle these obligations.

Receivables Sold With Recourse

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Financial Instruments, Commitments And Contingencies

In the normal course of business, the company enters into certain sales-type lease arrangements with customers. These leases are generally sold to third party financing institutions. A portion of these arrangements contain certain recourse provisions under which the company remains liable. The company's maximum exposure under the recourse provision was approximately $13.1 million, net of related reserves. A portion of this contingent obligation is collateralized by security interests in the related equipment. The fair value of the recourse obligation at September 30, 1995 was not determinable as no market exists for these obligations.

UNION CARBIDE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Commitments and Contingencies

Other: The corporation sold certain receivables with recourse to various banks for proceeds of $63 million in 1995 ($101 million in 1994). At Dec.. 31, 1995, approximately $7 million remained due ($11 million in 1994). The fair value of the recourse provisions at Dec. 31, 1995, approximates the carrying value.

Commitments To Extend Credit

TEMPLE-INLAND INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments were as follows:

	1995		1994	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans receivable	$4,764.4	$4,798.7	$3,674.8	$3,624.2
Mortgage-backed and investment securities	3,423.6	3,368.4	3,964.2	3,753.0
Covered assets	—	—	418.1	418.1
Financial Liabilities				
Deposits	6,377.0	6,627.4	6,598.3	6,567.3
FHLB advances	155.0	160.3	154.5	156.1
Long-term debt	1,601.6	1,701.3	1,397.5	1,396.5
Off-Balance-Sheet Instruments				
Commitments to extend credit	—	(1.3)	—	(4.3)
Interest rate swaps	—	—	—	(.9)

Differences between fair value and carrying amounts are primarily due to instruments which provide fixed interest rates or contain fixed interest rate elements. Inherently, such instruments are subject to fluctuations in fair value due to subsequent movements in interest rates. The fair value of cash and cash equivalents, trade and

other receivables, securities sold under agreements to repurchase and mortgage loans held for sale consistently approximate the carrying amount due to their short-term nature and are excluded form the above table. The fair value of mortgage-backed and investment securities and off balance sheet instruments are based on quoted market prices. Other financial instruments are valued using discounted cash flows. The discount rates used represent current rates for similar instruments.

FINANCIAL INSTRUMENTS RECOGNIZED IN BALANCE SHEET

AVON PRODUCTS, INC. (DEC)

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

7 (In Part): Financial Instruments and Risk Management

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 had 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 and equity securities, is based on the quoted market prices for issues listed on exchanges.

Debt maturing within one year and long-term debt: The fair value of all debt is estimated based on the quoted market prices of issues listed on exchanges.

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:

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$151.4	$151.4	$214.8	$214.8
Grantor trust	49.5	52.2	50.8	50.8
Debt maturing within one year	(47.3)	(47.3)	(61.2)	(62.1)
Long-term debt	(132.9)	(135.9)	(125.5)	(128.8)
Currency swap contract on long-term debt	18.7	26.9	9.0	9.4
Other forward exchange and option contracts	4.6	5.0	.5	2.1
Interest rate cap contracts	.1	.1	1.4	2.5
Interest rate swap receivable	.1	.1	—	—
Interest rate swaps payable	(.7)	(11.3)	(.7)	(13.7)

THE INTERLAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in thousands)

Note 14. 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:

Cash and cash equivalents: The carrying amount approximates fair value because of the short maturities of such instruments.

Other assets: The fair values for financial instruments included in other assets were estimated based on quoted market prices for the same or similar issues.

Long-term debt (See Note 13): The interest rate on the Company's bank debt is reset every quarter to reflect current market rates. Consequently, the carrying value of the bank debt approximates fair value. The fair values of the long-term debt other than bank debt were estimated based on quoted market prices for the same or similar issues.

Convertible exchangeable preferred stock (See Note 10): The fair value of the preferred stock, which was issued in a private placement, is included in the following table at carrying value as such stock is not traded in the open market and a market price is not readily available.

Foreign exchange contracts (See Note 1): The fair value associated with the foreign currency contracts has been estimated by valuing the net position of the contracts using applicable spot rates and thirty-day forward rates as of the end of the fiscal year.

Interest rate swap agreements (See Note 13): The fair value of interest rate swaps (used for hedging purposes) is the estimated amount that the Company would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the present creditworthiness of the swap counterparties. The Company does not expect to cancel these agreements, and expects them to expire as originally contracted.

The estimated fair values of the Company's financial instruments are as follows:

	Dec. 31, 1995		Dec. 25, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$41,562	$41,562	$39,708	$39,708
Other assets	6,000	5,490	6,000	5,220
Long-term debt*	436,145	425,898	433,521	418,440
Convertible exchangeable preferred stock	39,155	39,155	39,155	39,155
Foreign currency contract assets	—	(65)	—	(43)
Interest rate swap liabilities	—	3,561	932	1,838

* Includes current maturities and excludes capitalized long-term leases.

THE KROGER CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts are in thousands)

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:

Cash And Short-term Investments
The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term Investments
The fair values of these 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, including the current portion thereof, is estimated based on the quoted market price for the same or similar issues.

Interest Rate Protection Agreements
The fair value of these agreements is based on the net present value of the future cash flows using the forward interest rate yield curve in effect at the respective years-end. If the swaps and caps were canceled as of the respective years-end the result would have been a net cash outflow for 1995 and 1994. The swaps and caps are linked to the Company's debt portfolio. The improvement in the value of the swaps and caps relates to a decrease in market rates during 1995, a corresponding increase in the fair value of linked debt, and a change in the mix of swaps held. (See Accounting Policies and Debt Obligation notes).

The estimated fair values of the Company's financial instruments are as follows:

	1995	
	Carrying Amount	Estimated Fair Value
Cash and short-term investments		
Long-term investments for which it is		
Practicable	$ 53,423	$ 53,423
Not Practicable	29,508	—
Long-term debt for which it is		
Practicable	1,795,139	1,942,414
Not Practicable	1,548,299	—
Interest Rate Protection Agreements		
Variable rate pay swaps	—	30,595
Fixed rate pay swaps	—	(56,120)
Interest rate caps	6,773	3,378
	6,773	(22,147)

The investments for which it was not practicable to estimate fair value relate to equity investments in unrelated entities for which there is no market and investments in real estate development partnerships for which there is no market.

It was not practicable to estimate the fair value of $1,008,128 of long-term debt outstanding under the Company's Credit Agreement. There is no liquid market for this debt. The remaining long-term debt that it was not practicable to estimate relates to Industrial Revenue Bonds of $205,035, various mortgages of $297,313, and other notes of $37,823 for which there is no market.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars)

Note 3 (In Part) Financial Instruments

The carrying amounts and estimated fair values of the company's significant financial instruments were as follows:

April 30,	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Short-term investments	$225,357	$226,031	$72,694	$72,694
Long-term investments and notes receivable	108,404	108,404	76,280	91,746
Purchased currency options	—	—	907	210
Liabilities				
Short-term debt	33,474	33,474	58,173	58,173
Long-term debt	14,200	15,427	20,232	20,981
Forward exchange contracts	29,293	29,293	12,205	12,205

The fair value of cash and cash equivalents, receivables, and short-term debt approximate their carrying value due to their short maturities. The fair value of certain short-term and long-term investments are based on quoted market prices for those or similar investments. For long-term investments which have no quoted market prices, a reasonable estimate of fair value was made using available market information and appropriate valuation techniques. The fair value of long-term debt is based on the current rates offered to the company for debt of similar maturities. The estimates presented above on long-term financial instruments are not necessarily indicative of the amounts that would be realized in a current market exchange. The fair value of forward exchange contracts was estimated based on quoted market prices at April 30, 1995 and 1994.

TEKTRONIX, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments are as follows:

(In thousands)	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash & cash equivalents	$31,742	$31,742	$43,044	$43,044
Accounts receivable	311,865	311,865	268,258	268,258
Other long-term assets:				
Marketable securities	29,392	29,392	5,129	26,574
Long-term receivables	30,749	30,609	5,420	5,420
Financial liabilities:				
Short-term debt	84,623	84,623	17,875	17,875
Accounts payable	170,861	170,861	162,551	162,551
Long-term debt	104,984	104,651	104,915	104,915

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate cost because of the immediate or short-term maturity of these financial instruments. The fair value of marketable securities is based on quoted market prices at the reporting date. The fair value of long-term receivables and long-term debt is estimated based on quoted market prices for similar instruments or by discounting expected cash flows at rates currently available to the Company for instruments with similar risks and maturities.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 22: Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined by the Corporation using the best available market information and appropriate valuation methodologies. However, considerable judgment is necessary in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Corporation could realize in a current market exchange or the value that ultimately will be realized by the Corporation upon maturity or disposition. Additionally, because of the variety of valuation techniques permitted under SFAS No. 107, "Disclosures about Fair Values of Financial Instruments," comparability of fair values among entities may not be meaningful. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Fair Value of Financial Instruments— Continuing Operations *(In millions)*

At December 31	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$213	$213	$329	$329
Investments in marketable securities	55	55	—	—
Noncurrent customer and other receivables	172	161	115	102
Liabilities:				
Short-term debt	309	309	634	634
Current maturities of long-term debt	330	330	7	7
Long-term debt	7,226	7,239	1,865	1,701
Off-balance-sheet financial instruments—gains (losses):				
Interest rate swap agreements	—	(14)	—	(4)
Foreign currency exchange contracts	—	4	—	(6)

Fair Value of Financial Instruments— Discontinued Operations *(In millions)*

At December 31	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$13	$13	$15	$15
Noncurrent customer and other receivables	98	97	122	121
Portfolio investments:				
Real estate	35	16	297	326
Corporate	1	(1)	9	1
Liabilities:				
Short-term debt	81	81	402	402
Current maturities of long-term debt	265	341	240	238
Long-term debt	157	164	589	660
Off-balance-sheet financial instruments—gains (losses):				
Interest rate and currency exchange agreements:				
Unrealized gains	—	72	—	82
Unrealized losses	—	—	—	(5)
Financing commitments	—	—	—	—

The following methods and assumptions were used to estimate the fair value of financial instruments for which it was practicable to estimate that value.

Cash and cash equivalents
The carrying amounts for cash and cash equivalents approximates fair value.

Investments in marketable securities
The fair value of investments in marketable securities is based on quoted market prices.

Noncurrent customer and other receivables
The fair value of noncurrent customer and other receivables is estimated by discounting the expected future cash flows at interest rates commensurate with the creditworthiness of the customers and other third parties.

Portfolio investments
At December 31, 1995 and 1994, the fair value of portfolio investments was determined using financial information prepared by independent third parties, discounted cash flow projections, financial statements for investee companies and letters of intent or other asset sale agreements.

Short-term debt
The carrying amount of the Corporation's borrowings under credit facilities and other arrangements approximate fair value.

Long-term debt
The fair value of long-term debt has been estimated using quoted market prices or discounted cash flow methods based on the Corporation's current borrowing rates for similar types of borrowing arrangements with comparable terms and maturities.

Interest rate and currency exchange agreements
The fair value of interest rate and currency exchange agreements is the amount that the Corporation would receive or pay to terminate the agreements, based on quoted market prices or discounted cash flow methods, considering current interest rates, currency exchange rates and remaining maturities.

Financing commitments
Most of the unfunded commitments relate to, and are inseparable from, specific portfolio investments. When establishing the fair value for those portfolio investments, consideration was given to the related financing commitments.

Foreign currency exchange contracts
The fair value of foreign exchange contracts is based on quoted market prices to terminate the contracts.

CONCENTRATIONS OF CREDIT RISK

ARMCO INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Concentrations Of Credit Risk
Armco is primarily a producer of stainless, electrical and carbon steels and steel products, which are sold to a number of markets, including automotive, industrial machinery and equipment, construction, power generation and appliances. Armco sells domestically to customers primarily in the midwestern and eastern United States, while a small amount of foreign sales is made to customers primarily in western Europe. Approximately 26% of trade receivables outstanding at December 31, 1995 are due from businesses that supply the U.S. automotive industry. Except in a few situations where the risk warrants it, Armco does not require collateral on trade receivables; and while it believes its trade receivables will be collected, Armco anticipates that in the event of default it would follow normal collection procedures. Overall, credit risk related to Armco's trade receivables is limited due to the large number of customers in differing industries and geographic areas.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Concentrations of Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's customer base includes most significant automotive manufacturers and a large number of well known jobbers, distributors, and installers of automotive replacement parts in North America and Europe. The Company generally does not require collateral and the majority of its trade receivables are unsecured. Although the Company is directly affected by the financial well-being of the automotive industry, management does not believe significant credit risk exists at December 31, 1995.

The Company relies on several key vendors to supply its primary raw material needs for each of its markets. Although there are a limited number of manufacturers in each market capable of supplying these needs, the Company believes that other suppliers could provide for the Company's needs on comparable terms. Abrupt changes in the supply flow could, however, cause a delay in manufacturing and a possible inability to meet sales commitments on schedule or a possible loss of sales, which would affect operating results adversely.

CALMAT CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Financial Instruments And Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of periodic temporary investments of excess cash and trade receivables. The Company places its temporary excess cash investments in high quality short-term money market instruments through several high credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. A significant portion of the Company's sales are to customers in the construction industry, and, as such, the Company is directly affected by the well-being of that industry. However, the credit risk associated with trade receivables is minimal due to the Company's large customer base and ongoing control procedures which monitor the credit worthiness of customers. The Company generally obtains lien rights on all major projects. Historically, the Company has not experienced significant losses on trade receivables.

LIZ CLAIBORNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments, Contingencies And Other Matters

In the normal course of business, the Company extends credit, on open account, to its retail store customers, after a credit analysis based on a number of financial and other criteria. In recent years, a number of corporate groups which include certain of the Company's largest department store customers have been involved in highly leveraged financial transactions and certain of these customers have filed for protection under Chapter 11 of the Federal Bankruptcy Code. Subsequently, certain customers have emerged from protection under Chapter 11. In 1995, three corporate groups of department store customers accounted for 18%, 17% and 11%, respectively, of net sales. In 1994, two corporate groups of department store customers accounted for 17% and 11%, respectively, of net sales. In 1993, two corporate groups of department store customers accounted for 18% and 11%, respectively, of net sales. The Company does not believe that this concentration of sales and credit risk represents a material risk of loss with respect to its financial position as of December 30, 1995.

CONCORD FABRICS INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Q. Concentration of Credit Risk

1. Cash in banks, based on bank balances, exceeded federally insured limits by $3,800,000 and $2,700,000 at September 3, 1995 and August 28, 1994, respectively.
2. Accounts receivable from manufacturers and retailers aggregated approximately $19,368,000 and $6,447,000 at September 3, 1995, respectively, and $23,554,000 and $8,855,000 at August 28, 1994, respectively. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.
3. Accounts receivable at September 3, 1995 and August 28, 1994 also includes $3,320,000 and $4,765,000, respectively, of due from factors.

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Commitments and Contingencies

Concentrations of Credit Risk

Financial Instruments which subject the Company to concentrations of credit risk consist primarily of trade receivables. Mass merchandisers comprise a significant portion of the Company's customer base. The Company had trade receivables of approximately $10.0 million and $11.4 million from mass merchandisers at December 31, 1995, and January 1, 1995, respectively. Although the Company's exposure to credit risk associated with nonpayment by mass merchandisers is affected by conditions or occurrences within the retail industry, trade receivables from mass merchandisers were current at December 31, 1995 and no retailer exceeded 10% of the Company's receivables at that date.

GUILFORD MILLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

1 (In Part): Description Of Business And Summary Of Significant Accounting Policies

Accounts Receivable and Concentration of Credit Risk: As of October 1, 1995, October 2, 1994 and September 26, 1993, approximately 32%, 37%, and 39%, respectively, of the Company's accounts receivable were factored on a non-recourse basis. The Company performs on-going credit evaluations of its non-factored customers' financial condition and generally does not require collateral from those customers. The Company competes primarily in the apparel and automotive industries and sells its products to a multitude of customers in numerous geographical locations throughout the world. There is not a disproportionate concentration of risk. Allowances for doubtful accounts were $8,867, $8,545 and $8,748 at October 1, 1995, October 2, 1994 and September 26, 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 customers' financial condition and, generally, requires no collateral from its customers. The Company's ten largest customers accounted for approximately 32% of sales in 1993, 29% in 1994 and 30% in 1995, and approximately 33% and 33% of notes and accounts receivable at December 31, 1994 and 1995, respectively.

As discussed in Note 6, the assets of the Company's pension plans are primarily invested in the Collective Trust. Securities of a single issuer composed approximately 22% and 20%, respectively, of the Collective Trusts' net assets at December 31, 1994 and 1995, respectively. The common stock of this issuer is publicly traded on a national exchange. During 1994, the stock's high and low sales prices were $44.50 and $29.50 per share, respectively, and was $30.88 at the end of the year. During 1995, the stock's high and low sales prices were $67.63 and $27.25 per share, respectively, and was $35.25 at the end of the year.

PEERLESS MFG. CO. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B. Concentrations of Credit Risk

A significant portion of the Company's sales are to customers whose activities are related to the oil and gas industry, including some who are located in foreign countries (see Note 1). The Company generally extends credit to these customers and, therefore, collection of receivables is affected by the economy of oil and gas industry. Also, with respect to foreign sales, collection may be more difficult in the event of a default.

However, the Company closely monitors extensions of credit and has never experienced significant credit losses. Also, most foreign sales are made to large, well-established companies. The Company generally requires collateral or guarantees on foreign sales to smaller companies.

The Company invests excess cash in low risk, liquid instruments. No losses have been experienced on such investments.

STANDEX INTERNATIONAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Concentration of Credit Risk
The Company is subject to credit risk through trade receivables and short-term cash investments. Credit risk with respect to trade receivables is minimized because of the diversification of the Company's operations, as well as its large customer base and its geographical dispersion. Short-term cash investments are placed with high credit-quality financial institutions or in short-duration, high quality debt securities. The Company limits the amount of credit exposure in any one institution or type of investment instrument.

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 1995 financial statements of the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-14: SUBSEQUENT EVENTS

	Number of Companies			
	1995	1994	1993	1992
Business combinations pending or effected	72	53	42	56
Debt incurred, reduced or refinanced	66	56	85	85
Discontinued operations	39	33	26	36
Litigation	36	45	30	31
Stock splits or dividends	17	7	8	8
Stock purchase rights	15	5	3	4
Employee benefit plans	14	19	18	16
Capital stock issued or purchased	11	18	17	14
Other—described	51	58	55	56

Debt Incurred, Reduced Or Refinanced

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Subsequent Event

On March 25, 1996, the Company sold $125.0 million of its 9.25% Senior Notes due 2006, at a price of 99.291% of face value, in a private offering to institutional investors. The Company used the net proceeds of the Senior Note offering to (i) repurchase its outstanding 12.70% Notes due 1998 and 7.0% Convertible Subordinated Note due 2002 and (ii) to repay substantially all amounts outstanding under the Revolving Credit Facility. Concurrently with closing the sale of the 9.25% Senior Notes, the Company entered into an amendment to its Revolving Credit Facility, which amendment consolidated the outstanding debt and borrowing capacity of Housewares and Frem with that of the Company and revised certain financial convenants. Borrowings under the amended Revolving Credit Facility bear interest at the bank's prime rate, or at LIBOR plus 1.25% or 1.5%, depending on the Company's borrowing strategy and the ratio of total debt to cash flow. The Revolving Credit Facility provides for a commitment fee of three-eighths of one percent on the unused portion of the commitment amount and a $60,000 annual agency fee. Borrowings under the Revolving Credit Facility mature in December 1998. The Senior Notes, as well as the Revolving Credit Facility, will contain certain financial convenants that will restrict the sale of assets, the incurrence of additional indebtedness and certain investments and acquisitions by the Company. The early extinguishment of the 12.70% Notes and 7.0% Convertible Subordinated Note will result in an extraordinary charge against first quarter 1996 earnings of approximately $6.0 million (before income taxes).

KAMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands)

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

New Revolving Credit Agreement. On January 29, 1996, the corporation entered into a new revolving credit agreement with an expanded group of domestic and foreign lenders which replaces the two revolving credit agreements described above. The new agreement provides for an aggregate maximum commitment of $250,000 and expires in 2001. The most restrictive of the covenants contained in the new agreement requires the corporation to have operating income, as defined, at least equal to 250% of interest expense through December 31, 1997 and 275% thereafter; consolidated total indebtedness to total capitalization of not more than 55%; and consolidated net worth at least equal to $200,000.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 (In Part): Subsequent Events

On January 23, 1996, Occidental called for redemption on March 15 of all of the outstanding $955 million principal amount of its 11.75% Senior Debentures due March 15, 2011, at a redemption price of 104.838% of the principal amount, together with accrued interest. The redemption of these debentures in in part being funded from cash accumulated in excess of ongoing requirements. The payment of the call premium will be reflected as an extraordinary loss in Occidental's 1996 first quarter results.

OMNICOM GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Event

On March 1, 1996, the Company issued Deutsche Mark 100 million Floating Rate Bonds (approximately $68 million). The bonds are unsecured, unsubordinated obligations of the Company and bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.375%. The bonds will mature on March 1, 1999 and will be repaid at par. The proceeds of this issuance will be used for general corporate purposes, including the reduction of outstanding commercial paper debt.

THERMO ELECTRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Subsequent Events

Issuance of Subordinated Convertible Debentures
On January 3, 1996, the Company issued and sold $585 million principal amount of 4% subordinated convertible debentures due 2003. The debentures will be convertible into shares of the Company's common stock at a price of $56.70 per share.

THORN APPLE VALLEY, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Subsequent Event

On May 30, 1995, the Company completed the acquisition of certain assets of the retail division of Foodbrands America, Inc. formerly the Doskocil Companies. The aggregate purchase price for the assets acquired and the assumption of certain liabilities was approximately $65.8 million. During the next five years, Foodbrands has the right to receive from the Company up to an additional $10 million in accordance with what is being referred to as an Earnout Agreement. The acquisition has been accounted for by the purchase method. The acquired assets include three manufacturing facilities, machinery and equipment, current assets, certain trademarks and trade names and goodwill. The goodwill acquired will be amortized to expense over 40 years.

Concurrent with the acquisition the Company issued $42.5 million of long-term unsecured notes in a private placement and replaced its existing lines of credit with an $80 million revolving credit agreement. The long-term unsecured debt is at a fixed rate of 7.58% per annum, having a maturity of ten years, interest is payable semi-annually on May 15 and November 15 of each year. The principal on the notes is due in equal annual installments of $6,071,429 beginning May 15, 1999, and ending May 15, 2004, with the remaining principal payable at maturity on May 15, 2005. The Company is required, pursuant to the terms and covenants of the unsecured notes agreement, to maintain a minimum level of consolidated net worth. The unsecured revolving credit agreement is with four financial institutions at variable interest rates no higher than the prime rate or its equivalent. The commitments under the revolving credit agreement expire on May 30, 1998, but may be extended annually for successive one-year periods with the consent of the financial institutions. The commitment fee on the unused portion of the facility is .25% per annum. The Company is required under the revolving credit agreement to maintain a minimum level of consolidated net worth.

The following unaudited, pro forma, condensed, combined financial information assumes the acquisition occurred at the beginning of fiscal 1995. The results do not purport to be indicative of what would have occurred had the acquisition been made at the beginning of fiscal 1995, or of the results which may occur in the future.

(In thousands, except per share data)	Fiscal year ended May 26, 1995 (unaudited)
Net sales	$965,750
Income from operations	11,192
Net income	2,377
Earnings per share	0.41

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note R (In Part): Subsequent Events

Refinancing: Effective July 1, 1995, the Company and its 79%-owned subsidiary, Victoria Creations, Inc. ("Victoria"), each renegotiated its borrowing arrangements with its current lender. Under the terms of the amended agreements, the Company's borrowings under the revolving and term loans with the lender (see Note D above) were converted to a term loan. This term loan will be repayable from collections of certain accounts receivable and sales of inventory other than those of Victoria and a portion of the proceeds of sales of the Company's other assets, primarily real property. The term loan matures July 31, 2000 and bears interest at the rate of 12% a year.

The new arrangements for Victoria consist of a $5.0 million term loan due June 15, 2000 and a revolving

loan, based on Victoria's eligible accounts receivable and inventories, having a term ending June 15, 1998. The revolving loan will be renewed automatically for successive one year periods thereafter unless terminated by either party upon thirty days notice. These loans bear interest at prime rate plus 3 %, or currently 12 % a year.

The debt is classified as long-term in the accompanying balance sheet.

Business Combinations

ACCLAIM ENTERTAINMENT, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in 000s)

22. Subsequent Events

On October 9, 1995, the Company acquired Sculptured Software, Inc. ("Sculptured") and on October 16, 1995, the Company acquired Probe Entertainment Limited ("Probe"). Sculptured and Probe are developers of interactive video games. Both transactions will be accounted for as poolings of interests and were effected through the exchange of 2,745 shares of common stock of the Company for all the issued and outstanding shares of Sculptured and Probe. The operations of Sculptured and Probe are not material to the Company's consolidated operations.

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Subsequent Event

On January 17, 1996, the company acquired NexGen, Inc. (NexGen) in a tax-free reorganization in which NexGen was merged directly into the company. The shareholders of NexGen receive eight-tenths (0.8) of a share of the common stock of AMD for each outstanding share of the common stock of NexGen. The company expects to issue approximately 33.6 million shares of common stock to the holders of NexGen common stock, options, rights to purchase under the employee stock purchase plan, and warrants.

Pursuant to the merger, AMD extended NexGen a $60 million revolving line of credit, of which $30 million has been used as of December 31, 1995.

The merger will be accounted for under the pooling of interests method and, accordingly, historical financial data in future reports will be restated to include NexGen data. The following unaudited pro forma data summarizes the combined results of operations of the company and NexGen as though the merger had occurred at the beginning of fiscal 1993.

Three Years Ended December 31, 1995 (Unaudited pro forma) (Thousands, except per share amounts)	1995	1994	1993
Net sales	$2,468,379	$2,135,515	$1,648,280
Net income	216,326	281,247	216,589
Net income per common share:			
Primary	$1.59	$2.18	$1.79
Fully diluted	$1.57	$2.14	$1.77

CINCINNATI MILACRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

In January, 1996, the company executed an agreement to purchase the assets of The Fairchild Corporation's D-M-E business for approximately $245 million. With annual sales of approximately $175 million, D-M-E is the largest U.S. producer of mold bases, standard components and supplies for the plastics injection mold-making industry. The acquisition, which will be accounted for under the purchase method, was financed initially through the execution of promissory notes to the seller of $183 million and cash of $62 million. One promissory note of $12 million was subsequently paid. The other notes mature on January 26, 1997, but are subject to prepayment at the option of either the buyer or the seller at any time after July 26, 1996.

In January, 1996, to finance the acquisition of D-M-E, the company amended its revolving credit facility to increase the amount of credit available from $150 million to $300 million and extend the term to January, 2000. The facility requires a facility fee of $\frac{1}{4}$% per annum on the total $300 million revolving loan commitment. The amended facility continues to impose restrictions on total indebtedness in relation to total capital. The company anticipates that it will be able to continue to comply with these restrictions throughout the extended term of the facility. Longer term financing will be completed at a later date and may include the issuance of some form of equity.

CROWN CORK & SEAL COMPANY, INC. (DEC)

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

T. Subsequent Events

In February 1996, the Company completed the acquisition of CMB pursuant to the terms of its previously announced exchange offer. CMB is a leading multinational manufacturer of metal and plastic packaging materials and equipment with headquarters in Paris, France. At December 31, 1995, CMB had approximately 28,500 employees who are located in 175 plants and facilities within 38 countries worlwide.

CMB had unaudited net sales of approximately $4,900 and unaudited net income of approximately $150 for the twelve months ending December 31, 1995.

Each share of CMB tendered into the offer was exchanged for cash or a combination of the Company's common and acquisition preferred stock. Approximately 37.3 million shares of Crown common stock and 12.4 million shares of Crown acquisition preferred stock were issued to tendering CMB shareholders. Crown common stock had a market value of approximately $42.00 at completion. The total cost of the acquisition, excluding liabilities assumed, was approximately $4,000, including $1,880 in cash, $1,600 in Crown common stock and $520 in Crown acquisition preferred stock. The cash portion of the consideration was financed through a Revolving Credit and Term Loan facility with a syndicate of financial institutions. This facility is further described in Note I to the Consolidated Financial Statements.

The acquisition will be accounted for as a purchase in 1996. The purchase price will be allocated to the assets acquired and liabilities assumed based upon their estimated fair values. Results of operations for CMB will be included with those of the Company for periods subsequent to the date of acquisition.

The excess of the purchase price over the net assets acquired, which is expected to exceed $3,000, will be amortized over a period not exceeding 40 years. The purchase price allocation will be determined during 1996 when appraisals, other studies and additional information become available. Accordingly the final allocation may have a material effect on the supplemental unaudited pro forma information presented below.

The following unaudited pro forma summary presents the consolidated results of operations as if the acquisition had been completed at the beginning of the periods presented and does not purport to be indicative of what would have occurred had the acquisition actually been made as of such date or of results which may occur in the future.

(Unaudited)	1995	1994
Net sales	$9,975.8	$8,968.6
Net income	46.8	141.1
Earnings per average common share	$.37	$1.12

Adjustments made in arriving at the pro forma unaudited results of operations include increased interest expense on acquisition debt, amortization of goodwill, preferred stock dividends and related tax adjustments. No effect has been given to the fair value of assets acquired, depreciable lives, transition and restructuring costs or synergistic benefits which may be realized from the acquisition.

ECHLIN INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Subsequent Event

In October 1995, the company entered into an agreement to acquire the outstanding common stock of American Electronic Components, Inc., an Indiana-based manufacturer of motor vehicle electronic components, for approximately 1.5 million shares of Echlin common stock. The transaction, which should be completed in the fourth calendar quarter, will be accounted for as a pooling of interests.

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

21. Subsequent Event

Acquisition of Texaco Lubricant Additives Business (Unaudited) – On February 29, 1996, the Company completed the acquisition of the worldwide lubricant additives business of Texaco Inc., including manufacturing and blending facilities, identifiable intangibles and working capital. The acquisition, to be accounted for under the purchase method, included a cash payment of $135.9 million (subject to adjustment based on final working capital determinations) and a future contingent payment of up to $60 million. The cash payment was financed primarily under the Company's revolving credit agreement. The payment of up to $60 million will become due on February 26, 1999, with interest payable on the contingent debt until such date. The actual amount of the contingent payment and total interest will be determined using an agreed-upon formula based on volumes of certain acquired product lines shipped during the calendar years 1996 through 1998, as specified in the contingent note agreement. Texaco retained substantially all noncurrent liabilities.

HONEYWELL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Millions of dollars)

Note 24. Subsequent Event

On February 12, 1996, Honeywell announced that it had entered into a definitive agreement to acquire Duracraft Corp. for approximately $283.0 in cash. Under the terms of the agreement, which was unanimously approved by the boards of directors of both companies, a Honeywell subsidiary will commence an all-cash tender offer for all the shares of Duracraft. The offer is conditioned upon, among other things, there having been validly tendered, and not withdrawn prior to the expiration of the tender offer, a number of Duracraft shares which equal two-thirds of the shares outstanding on a fully diluted basis and the receipt of all necessary regulatory approvals. The offer is not subject to financing. Duracraft Corp. develops, manufactures and markets consumer household products in five major areas: heaters, fans, humidifiers, air cleaners and vaporizers. The acquisition will be accounted for as a purchase and will be included in the Home and Building Control industry segment.

UNC INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Acquisitions And Prospective Acquisition

On January 15, 1996, the Company entered into an agreement to acquire substantially all of the assets and certain liabilities of Garrett Aviation Services, a leading provider of aviation services in the business aviation aftermarket. The purchase price is approximately $145 million which the Company intends to finance through the issuance of $125 million of long-term senior subordinated notes and $25 million of 8.5% cumulative convertible Preferred Stock. In addition, borrowing under the Company's Revolving Senior Bank Debt will be necessary to the extent the purchase price plus transaction costs exceeds the amount of funds generated from the issuance of the notes and Preferred Stock. The Company is currently in the process of soliciting the holders of the 9% Senior Notes to amend certain convenants in order to permit the borrowing of additional debt and amend the restrictions on the payment of cash dividends to permit the payment of dividends on the Preferred Stock. As of February 23, 1996, the Company received consent from the required majority of note holders to amend the covenants. The acquisition is contingent upon, among other things, receiving governmental approval under the Hart Scott Rodino Act and financing on terms that are satisfactory to the Company. It is anticipated that the acquisition will be completed in the latter part of April 1996. Under certain circumstances, if the acquisition is not ultimately consummated, the Company may be required to pay a break-up fee of up to potentially $5.0 million.

Litigation

SAFEWAY INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Commitments and Contingencies

Legal Matters

In July 1988, there was a major fire at the Company's dry grocery warehouse in Richmond, California. Through January 4, 1996, in excess of 125,000 claims for personal injury and property damage arising from the fire had been settled for an aggregate amount of approximately $121 million. The Company's loss as a result of the fire damage to its property and settlement of the above claims was substantially covered by insurance.

As of January 4, 1996, there were still pending approximately 2,100 claims against the Company for personal injury (including punitive damages) and approximately 500 separate claims against the Company for property damage arising from the smoke, ash and embers generated by the fire. On March 8, 1996, a purported class action was filed on behalf of persons allegedly injured as a result of the fire. The complaint generally alleges that the Company fraudulently (i) obtained settlements of certain claims arising out of the fire and (ii) made statements that induced claimants not to file actions within the time period allowed under the statute of limitations. The complaint seeks compensatory and punitive damages. A substantial percentage of these claims have been asserted in lawsuits against the Company filed in the Superior Court for Alameda County, California. There can be no assurance that the pending claims will be settled or otherwise disposed of for amounts and on terms comparable to those settled to date. Safeway believes that coverage under its insurance policy will be sufficient and available for resolution of all remaining third-party claims arising out of the fire.

SCHLUMBERGER LIMITED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (In Part)

In February 1996, in a case involving a $3 million contract dispute, a jury in Johnson County, Texas, found against Schlumberger and awarded $23 million in damages, which could be doubled or tripled plus attorneys' fees and interest. The Company and its outside counsel believe the findings are not supported by the evidence and law, and will appeal. Accordingly, no provision has been made in the accompanying financial statements for this matter.

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events (Unaudited)

The Company, two principal officers, and one additional Board member were named as defendants in a class action complaint for damages filed in the United States District Court for the Northern District of California on November 2, 1995. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act and Securities and Exchange Commission Rule 10b-5. Management believes that this complaint is without merit and that the outcome of the complaint will not have a material adverse effect on the financial position or overall trends in the results of operations of the Company.

Discontinued Operations

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Subsequent Event (Unaudited)

On February 28, 1996, the Company announced that it will seek qualified buyers for its coal operations. The proceeds from the proposed sale, which the Company plans to complete in 1996, are expected to be used to significantly strengthen the Company's balance sheet by repayment of high-cost debt and other obligations, and to provide improved financial flexibility to pursue opportunities in the Company's other lines of business. The Coal operations had operating revenues of $459.6 million, $451.3 million and $443.2 million for the years ended December 31, 1995, 1994 and 1993, respectively; with operating profit for the same periods of $98.7 million, $98.2 million and $95.1 million, respectively. Identifiable assets of the Coal operations were $518.6 million and $498.3 million as of December 31, 1995 and 1994, respectively.

HARLEY-DAVIDSON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands)

3 (In Part): Discontinued Operations

On January 22, 1996, the Company announced its strategic decision to discontinue the operations of the Transportation Vehicles segment in order to concentrate its financial and human resources on its core motorcycle business. The Transportation Vehicles segment is comprised of the Recreational Vehicles division, the Commercial Vehicles division and B & B Molders, a manufacturer of custom or standard tooling and injection molded plastic pieces. The Company also announced on January 22, 1996, the proposed sale of the manufacturing operations of the Recreational Vehicles division as well as the sale of ten of the division's fourteen Holiday World RV dealerships to Monaco Coach Corporation. The purchase price for the division will be approximately $50 million, consisting of cash, a new series of Monaco preferred stock and a note. Monaco will also assume certain liabilities. The sale is subject to antitrust clearance and Monaco's securing of financing. The transaction is expected to close by the end of March, 1996. The sale of the remaining operations comprising the Transportation Vehicles segment is expected to be completed by the end of June, 1996. The Company does not anticipate a loss on the discontinuance of the Transportation Vehicles segment. The results of the Transportation Vehicles segment have been reported separately as discontinued operations. Prior year consolidated financial statements have been restated to present the Transportation Vehicles segment as a discontinued operation.

The components of net assets of discontinued operations included in the balance sheets are as follows:

December 31,	1995	1994
Current assets (mainly trade receivables and inventory)	$105,459	$118,765
Accounts payable, accrued expenses and other	(48,911)	(61,509)
Net current assets	$56,548	$57,256
Property, plant and equipment, net	$51,982	$48,749
Other non-current assets	3,026	5,924
Non-current liabilities	—	(1,043)
Net long-term assets	$55,008	$53,630

The condensed statements of operations relating to the discontinued operations are presented below:

Years ended December 31,	1995	1994	1993
Net sales	$443,950	$382,805	$284,166
Costs and expenses	441,388	377,176	344,763
Income (loss) before income taxes	2,562	5,629	(60,597)
Provision (benefit) for income taxes	1,132	(2,422)	(2,693)
Net income (loss)	$1,430	$8,051	$(57,904)

HON INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

On January 24, 1996, the Company completed the sale of its wholly owned subsidiary Ring King Visibles, Inc., to Esselte Corporation, a wholly owned subsidiary of Esselte AB, for a sale price of $8,000,000 in cash and the forgiveness of intercompany receivables of approximately $2,000,000. Ring King Visibles, Inc., manufactures and sells a variety of personal computer accessories. The sale price will be finalized and recorded in the first quarter of 1996 and will result in a gain for the Company. The sale did not and will not have a significant ef-

fect on reported sales or earnings from normal operations in the future.

JAMES RIVER CORPORATION OF VIRGINIA(DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Subsequent Events

On January 30, 1996, the Company signed a letter of intent to sell its specialty operations business to the Fonda Group, Inc. The specialty operations business, which is currently part of the Consumer Products Business, consists of a party goods business in Indianapolis, Indiana, a specialty tissue mill in Gouverneur, New York, and a foodservice specialties plant in Rancho Dominguez, California. On a combined basis, these three facilities have annual sales of approximately $125 million. In connection with this sale, James River will receive consideration totaling approximately $50 million, including cash and other securities. It is anticipated that the cash proceeds will be used to reduce long-term debt. This sales is subject to certain conditions including the execution of a definitive agreement and the receipt of certain approvals.

Also in January 1996, the Company completed the formation of a joint venture of its Handi-Kup foam cup operations with Benchmark Corporation of Delaware's WinCup foam cup operations. The Handi-Kup operations contributed to the joint venture included four foam cup plants, located in Corte Madera, California; Jacksonville, Florida; Metuchen, New Jersey and West Chicago, Illinois. James River received consideration of $26 million of cash and short-term notes, approximately $10 million face value of subordinated long-term notes and a 45% minority interest in the joint venture. Proceeds from this transaction will be used to reduce long-term debt.

KERR GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Subsequent Event—Sale Of Assets And Restructuring

On March 15, 1996, the Company sold certain assets of the Consumer Products Business for a purchase price of approximately $14,500,000 and announced a restructuring program which will include the relocation of the Company's principal executive office and the consolidation of certain manufacturing facilities. The Company also expects to receive approximately $16,500,000, primarily during the remainder of 1996, from the Company's sale to consumer products customers of the inventory of the Consumer Products Business and from the collection of the accounts receivable of the Consumer Products Business. These proceeds will be utilized for working capital, to reduce debt, including $3,500,000 of debt secured by liens on certain machinery and equipment of the Company, and to fund costs of the restructuring.

In connection with the sale of Consumer Products Business assets, the Company will report in the first quarter of 1996 a one-time pretax gain of approximately $2,900,000 ($1,740,000 after-tax or $0.44 per common share). Also during the first quarter of 1996, the Company will report a pretax loss of approximately $7,700,000 ($4,620,000 after-tax or $1.17 per common share) associated with the restructuring. The loss on the restructuring includes provision for severance costs and related benefits, net loss on subleases, write-off of fixed assets and certain intangible assets, and legal and professional fees. In addition to the loss recorded on the restructuring, the Company will incur additional non-recurring pretax losses during 1996 and early 1997 associated with the restructuring of $2,400,000 ($1,440,000 after-tax or $0.37 per common share) primarily related to equipment and personnel relocation costs, inefficiencies related to the relocation of operations and start-up costs which accounting rules require to be expensed as incurred.

The accompanying financial statements do not reflect the discontinuance of the Consumer Products segment.

SPRINGS INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Other Matters

Subsequent Event: Subsequent to the Company's year-end, on February 24, 1996, the Company signed a contract under which it will sell its subsidiary, Clark-Schwebel, Inc., to an investor group led by Vestar Equity Partners, L.P. (Vestar). Pursuant to the terms of the agreement, the Company will receive approximately $155 million in cash plus Clark-Schwebel securities consisting of preferred stock with a $30 million liquidation value as of the closing and a minority common equity interest. The proposed transaction is subject to certain contingencies, including financing arrangements by Vestar and completion of the due diligence process. In 1995, Clark-Schwebel contributed about 10 percent of the Company's sales of $2.233 billion and had record earnings representing about 24 percent of Springs' earnings before interest expense and taxes of $143 million. During the five years ended in 1995, Clark-Schwebel's average contribution was 13 percent of Springs' sales and 9 percent of its earnings before interest and taxes.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 25. Subsequent Event

On February 16, 1996, Unocal and Nuevo Energy Company (Nuevo) signed an asset purchase agreement for the sale of nearly all of Unocal's crude oil and natural gas producing properties in California. Torch Energy Advisors, Inc. (Torch) negotiated the sale and will operate the properties on behalf of Nuevo, a company Torch formed in 1990. The sales agreement is subject to certain regulatory consents, approvals and waiting periods.

Under the terms of the agreement, Unocal will receive approximately $500 million from the sale of the properties. The final cash settlement will be set at the closing, which is expected in April 1996. In addition, beginning in 1998, the company could receive further payments that are contingent upon the price per barrel from the proper-

ties' future oil production. The company expects to use the proceeds from the sale to reduce debt and fund projects in Central and Southeast Asia.

Capital Stock Issued Or Purchased

ALLIANT TECHSYSTEMS INC. (MAR)

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

23. Subsequent Event

During the first quarter of fiscal 1996, the Company began the $50,000 repurchase of shares of its common stock in the open market. As of May 26, 1995, the Company had repurchased 768,580 shares of the Company's stock at an average price of $36.58 per share for an aggregate amount of $28,115.

BALDOR ELECTRIC COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G. Subsequent Events

On February 16, 1996, Baldor purchased 2,000,000 shares of its common stock from the estate of Mr. G. A. Schock for $19.00 per share. This purchase was at a discount to the market and was funded with a mid-term bank loan.

At their February 5, 1996 meeting, the Board of Directors updated the shareholder rights plan by extending the expiration date of May 2008 and by modifying certain other plan definitions to make the plan more effective.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Shareholders' Equity

1996 Common Stock Offering
On January 23, 1996, 2,875,000 shares of the Company's common stock were sold under the Company's existing Registration Statement which provides for the issuance of up to $100.0 million of equity and debt securities. The net proceeds from the offering of $22.0 million were used principally to reduce the outstanding borrowings under the Company's bank credit agreement.

JOSTENS INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

In August 1995, Jostens offered to repurchase up to 6.1 million of its common shares through a Modified Dutch Auction tender offer. Under the offer, which is expected to close in early September, shareholders have the option to tender shares at a price range of $21.50 to $24.50 per share. The repurchase will be funded from the company's cash and short-term investment balance, as well as short-term borrowings.

Stock Splits

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Events

On February 1, 1996, Avon's Board of Directors voted a two-for-one stock split of the Company's common stock. The stock split is contingent upon shareholder approval, at the annual meeting of shareholders on May 2, 1996, of a proposal to amend the Company's articles of incorporation to increase the number of authorized shares of common stock. If the proposal is approved, the stock split would become effective as soon as practicable after the meeting. Financial information contained in this report has not been adjusted to reflect the impact of the proposed common stock split.

Also, on February 1, 1996, Avon's Board of Directors approved an increase in the quarterly cash dividend to $.58 per share from $.55. The first dividend at the new rate will be paid on March 1, 1996, to shareholders of record on February 14, 1996. On an annualized basis, the new dividend rate will be $2.32 per share before the proposed stock split.

LEE ENTERPRISES, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Common Stock Split

On November 9, 1995, the Board of Directors declared a two-for-one stock split on the Company's Common Stock and Class B Common Stock effected in the form of a stock dividend to holders of record on November 2, 1995. Common Stock issued, Class B Common Stock issued, and additional paid-in capital as of September 30, 1995 have been restated to reflect this split.

The number of shares issued at September 30, 1995 after giving effect to the split was 34,198,000 common shares and 13,168,000 Class B Common shares (17,099,000 common shares and 6,584,000 Class B Common shares before the split).

All share and per share data, including stock option and stock purchase plan information, is stated to reflect the split.

Stock Purchase Rights Issued

STANDARD MOTOR PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Stockholders' Equity

On January 17, 1996, the Board of Directors adopted a Shareholder Rights Plan (Plan). Under the Plan, the Board declared a dividend of one Preferred Share Purchase Right (Right) for each outstanding common share of the Company. The dividend is payable on March 1, 1996 to the shareholders of record as of February 15, 1996. The Rights are attached to and automatically trade with the outstanding shares of the Company's common stock.

The Rights will become exercisable only in the event that any person or group of affiliated persons becomes a holder of 20% or more of the Company's outstanding common shares, or commences a tender or exchange offer which, if consummated, would result in that person or group of affiliated persons owning at least 20% of the Company's outstanding common shares. Once the rights become exercisable they entitle all other shareholders to purchase, by payment of an $80.00 exercise price, one one-thousandth of a share of Series A Participating Preferred Stock, subject to adjustment, with a value of twice the exercise price. In addition, at any time after a 20% position is acquired and prior to the acquisition of a 50% position, the Board of Directors may require, in whole or in part, each outstanding Right (other than Rights held by the acquiring person or group of affiliated persons) to be exchanged for one share of common stock or one one-thousandth of a share of Series A Preferred Stock. The Rights may be redeemed at a price of $0.001 per Right at any time prior to their expiration on February 28, 2006.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Subsequent Event

On February 1, 1996, the Company adopted a stockholder rights plan and designated 1,743,019 shares of its remaining 2,500,000 authorized cumulative preference stock as Series B participating cumulative preference stock. Pursuant to the plan, the Company declared a dividend of one stock purchase rights ("Right") for each share of common stock and two Rights for each share of Series A cumulative preference stock outstanding on February 12, 1996. A Right will be granted for each share of common stock issued after such date and prior to the expiration date of the rights plan.

Generally, the Rights become exercisable a specified period after a party acquires 15 percent or more of the aggregate outstanding common stock and Series A cumulative preference stock (collectively, "Voting Stock") or announces a tender offer for 15 percent or more of the Voting Stock. Each Right initially entitles a holder to purchase one one-hundredth of a share of the Series B participating cumulative preference stock for $100. After a party has acquired 15 percent or more of the Voting Stock, each Right will entitle a holder to pay $100 for the number of shares of Company common stock (or in certain situations, common stock of the acquiring party) having a then current market value of $200. Alternatively, the Company has the option to exchange one share of Company common stock for each Right at any time after a party has acquired at least 15 percent but less than 50 percent of the Voting Stock. The Company may redeem each Right for $.01 per Right at any time until the end of a specified period after a party has acquired 15 percent or more of the Voting Stock. In general, none of the benefits of the Rights will be available to a holder of 15 percent or more of the Voting Stock. The Rights will expire on February 12, 2006, unless earlier exchanged or redeemed.

Private Offering Of Reporting Company Stock

AST RESEARCH, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Subsequent Events

On February 27, 1995, the Company entered into a Stock Purchase Agreement ("Purchase Agreement") with Samsung Electronics Co., Ltd. ("Samsung"), providing for a significant minority ownership interest in the Company of approximately 40%. On June 30, 1995, AST stockholders approved the strategic investment and all regulatory approval had been received as of July 1, 1995. Under the terms of the Purchase Agreement, as amended by Amendment No. 1 thereto, dated as of June 1, 1995, and Amendment No. 2 thereto, dated as of July 29, 1995, Samsung could purchase 6.44 million newly issued shares of common stock from AST, representing 19.9% of the then currently outstanding shares of common stock, at $19.50 per share and could commence a cash tender offer to purchase 5.82 million shares of common stock from the Company's stockholders, representing 18% of the then currently outstanding shares of common stock, at $22 per share. Concurrently with the acceptance of the shares for purchase under the tender offer, Samsung could also purchase 5.63 million additional newly issued shares of common stock from AST at $22 per share so that its aggregate ownership interest in AST, after completion of all of the purchases, would be approximately 40%. On July 31, 1995, the transaction was completed and the Company received net proceeds of approximately $240 million.

As a result of completing the transaction with Samsung effective July 31, 1995, unvested options granted to executive officers to purchase 754,500 shares of common stock under the 1989 Program (Note 9) at prices ranging from $11.4375 to $21.50 became immediately exercis-

able. In addition, unvested options granted to non-employee directors to purchase 175,000 shares of common stock under the 1994 One-Time Grant Stock Option Plan for Non-Employee Directors (Note 9) at $14.25 per share and warrants issued on July 27, 1992 to purchase 25,000 shares of common stock at $13.50 per share became immediately exercisable.

As a condition to entering into the Purchase Agreement with Samsung, the Company amended the Shareholder Rights Plan (Note 10) to allow Samsung, in accordance with the terms and conditions of the Stockholder Agreement between the Company and Samsung dated July 31, 1995, to acquire, without additional Board or Stockholder approval and without triggering the Plan, up to 49.9% of the common stock during the first four years of its investment, and after the standstill period up to 66.67% of the common stock except pursuant to a cash tender offer for all equity securities not owned by the purchaser and/or its affiliates.

Lease Agreement

GEORGIA GULF CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

Lease Subsequent Event: In February 1996, the Company entered into an operating lease agreement for a 250 megawatt co-generation facility to be constructed at the Company's Plaquemine, LA complex. The total cost of assets to be covered by the lease is limited to $120,000,000. The co-generation facility, scheduled for completion during the third quarter of 1997, will supply essentially all electricity and steam requirements for the Plaquemine location. Payments under the lease will be determined and will commence upon completion of construction and will continue through the initial lease term of three years. The Company has options to renew the lease for two one-year periods and to purchase the facility at its estimated fair market value at any time during the lease term. The lease provides for substantial residual value guarantees by the Company at the termination of the lease.

Possible IPO And Restructuring Plan Approved

INTERNATIONAL PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Subsequent Events

On January 19, 1996, a subsidiary partnership of IPT filed a registration statement in anticipation of a possible public offering. The offering would consist of limited partnership units representing more than 80% of the equity in the subsidiary partnership, which owns approximately 300,000 acres of forestlands located in Oregon and Washington. In conjunction with the units offering the subsidiary partnership would also place $350 million in senior debt securities. If this public offering is completed, the net proceeds from the units offering and debt placement would approximate $800 million. However, several alternatives are being pursued for the sale of these partnership interests.

On February 13, 1996, the Company's Board of Directors authorized management actions that will result in the shut-down of certain plants, consolidation of certain operations and job eliminations. Accordingly, a pre-tax charge of about $500 million ($350 million after taxes or $1.35 per share) will be recorded in the first quarter of 1996. The charge consists of asset write-offs and impairments ($340 million, including $80 million from adopting SFAS No. 121 as described in Note 3), severance ($115 million) and lease cancellation and other exit costs ($45 million). The management actions will result in the reduction of 2,100 jobs, primarily in the U.S. and Europe.

Formation Of Grantor Trust

SAVANNAH FOODS & INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Stockholders' Equity

The Certificate of Incorporation of the Company, as amended, authorizes a class of preferred stock to consist of up to 1,000,000 shares of $.50 par value stock. The Board of Directors can determine the characteristics of the preferred stock without further stockholder approval.

On November 17, 1995 the Board of Directors approved the formation of a grantor trust which is expected to purchase approximately 2,500,000 shares of Company common stock from the Company. It is intended that over an extended period of time the trust will use such shares or the proceeds from the sale of such shares to satisfy obligations of the Company under various employee benefit plans, including the Company's qualified defined benefit pension plans, its supplemental pension plan, and obligations under deferred compensation contracts for employees and directors, all of which are discussed in Notes 9 and 10.

Licensing Agreement

SCIENTIFIC INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On July 10, 1995, the Company entered into an agreement to license the rights to certain laboratory equipment developed and manufactured by another company. The purchase price for the license is $50,000 payable $20,000 in cash with the balance payable in semimonthly installments of $3,750 through October 1995. The cost of the licensing agreement acquired will be recorded as an asset by the Company and amortized over the period of its estimated benefit period. Under the terms of the agreement, the Company shall also pay royalties, as defined, to the licensors quarterly.

Sale Of Receivables

STORAGE TECHNOLOGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Subsequent Events

Sale of Lease Assets
The Company announced on February 9, 1996, that it intends to sell its net investment in sales-type leases and enter into a worldwide lease financing alliance. The Company expects to close the proposed transaction by the end of the first quarter of 1996, and anticipates an extraordinary gain if the transaction is completed. In connection with the sale of its net investment in sales-type leases, the Company intends to repay its outstanding nonrecourse borrowings and 9.53% Senior Secured Notes in the first quarter of 1996.

Sale of Receivables
On January 29, 1996, the Company entered into a one-year financing agreement with a bank which provides for the sale of certain U.S. and foreign-based accounts receivable on a recourse basis. This agreement allows for receivable sales of up to $40 million at any one time and StorageTek's obligations under the agreement will be secured by a letter of credit for the amount of the receivables sold. The selling price of the receivables will be partially determined based upon foreign currency exchange rates and any gains or losses on the sales will be recognized within marketing, general, administrative and other income and expense, net, in the Consolidated Statement of Operations at the time the receivables are sold. As of February 23, 1996, the Company had committed to future cumulative sales of approximately $206 million. Gains and losses associated with the receivable sales are not expected to have a material effect on the Company's reported financial results after taking into consideration other transactions associated with the Company's international operations. Based upon the Company's past credit and collection experience with respect to the receivables that it expects to sell, the Company believes that no material credit risk exists under the recourse provisions of the agreement.

Litigation
As further discussed in Note 14, on February 1, 1996, a jury found that the Company's "pass-thru" port in certain of its tape library products did not infringe the 151 Patent held by Odetics, Inc. On March 8, 1996, Odetics, Inc. filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit.

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 1995, 145 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Reporting Entity and Investees

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Transactions With Affiliated Company

The company owns a 15% interest ($75,000) in a previously wholly-owned Mexican subsidiary, Medidores Azteca, S.A. (Azteca). The company also has a note receivable from the majority shareholders of Azteca, due in monthly installments through the year 2000. The balances outstanding on this note at December 31, 1995 and 1994, were $89,000 and $101,000, respectively. The investment and note receivable are included in other assets in the accompanying consolidated balance sheets.

During 1995, 1994 and 1993, the company sold approximately $441,000, $974,000 and $685,000 of goods to Azteca. Trade receivables from Azteca at December 31, 1995 and 1994, were $615,000 and $688,000, respectively.

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 4 (In Part): Related Companies

The Company conducts some of its operations through various joint venture and other partnership forms which are principally accounted for using the equity method. Included in the Company's revenues for 1995, 1994 and 1993 are equity in income of related companies of $88.4 million, $93.0 million and $76.3 million, respectively. When the Company sells or transfers assets to an affili-

ated company that is accounted for using the equity method and the affiliated company records the assets at fair value, the excess of the fair value of the assets over the Company's net book value is deferred and amortized over the expected lives of the assets. Deferred gains included in the Company's other liabilities were $10.1 million and $19.4 million at December 31, 1995 and 1994, respectively.

Transactions Between Reporting Entity and Major Stockholders

ENGELHARD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

5. Related Party Transactions

In the ordinary course of business, the Company has raw material supply arrangements with entities in which Anglo American Corporation of South Africa Limited (Anglo) has material interests and with Engelhard-CLAL and its subsidiaries. Anglo indirectly holds a significant minority interest in the common stock of the Company. Engelhard-CLAL is a 50% owned joint venture. The Company's purchases from such entities amounted to $367.3 million in 1995, $233.1 million in 1994 and $228.7 million in 1993; sales to such entities amounted to $442.4 million in 1995; and metal leases to such entities amount to $31.7 million in 1995 and $49.7 million in 1994. Management believes these transactions were under terms no less favorable to the Company than those arranged with other parties. At December 31, 1995 and 1994 amounts due to such entities totaled $4.9 million and $14.8 million, respectively.

Transactions Between Reporting Entity and Officers/Directors

MAGNETEK, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts in thousands)

10. Related Party Transactions

The Company has an agreement with the Spectrum Group, Inc. whereby Spectrum will provide management services to the company through fiscal 1999 at an annual fee plus certain allocated and out of pocket expenses. The Company's chairman and chief executive officer, is also the chairman of Spectrum. The services provided include consultation and direct management assistance with respect to operations, strategic planning and other aspects of the business of the Company. Fees and expenses paid to Spectrum for these services under the agreement amounted to $818, $715 and $684 for the years ended June 30, 1995, 1994 and 1993, respectively.

During the years ended June 30, 1995, 1994 and 1993, the Company paid approximately $948, $914 and $500, respectively in fees to charter an aircraft owned by a company in which the chairman and chief executive officer is the principal shareholder. The Company believes the fees paid were equivalent to those that would be paid under an arm's-length transaction.

A member of the Company's Board of Directors served as a consultant to the Company on various aspects of the Company's business and strategic issues. Fees paid for said services by the Company during the periods ended June 30, 1995 and 1994 were $137 and $146, respectively. Aggregate fees and expenses for the same periods were $158 and $171.

Transactions Between Companies Commonly Owned

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Related Party Transactions

The Company and Air Express International (AEI) are related parties because a common group of shareholders hold a substantial ownership interest in both companies. AEI provides freight forwarding and shipping services for the Company. The cost of these freight services are negotiated on an arms length basis and amounted to $1,438,000, $323,000 and $97,000 for the years ended October 31, 1995, 1994 and 1993, respectively. Trade payables to AEI were $27,000 and $3,000 at October 31, 1995 and 1994, respectively.

During 1994, the Company acquired an approximate 15% ownership in one of its Taiwanese-based suppliers. This investment is carried at cost and is included in Other Assets. Purchases of product from this supplier are negotiated on an arms length basis and totaled $4,369,000 and $1,178,000 for the years ended October 31, 1995 and 1994, respectively. Trade payables to this supplier at October 31, 1995, were $1,519,000 of which $1,161,000 was supported by letters of credit that will be funded by the Company's bank through December 31, 1995. Trade payables to this supplier at October 31, 1994 were $195,000.

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

	1995	1994	1993	1992
Balance Sheet	562	562	560	559
Statement of Financial Position	32	33	35	36
Statement of Financial Condition	6	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 (15 companies in 1995) or a balance sheet classified as to industrial operations but showing assets and liabilities of nonhomogeneous operations as segregated amounts (5 companies in 1995). Prior to the effective date of *SFAS No. 94,* the survey companies, with rare exception, presented classified balance sheets.

Examples of balance sheet format disclosures follow.

TABLE 2-2: BALANCE SHEET FORMAT

	1995	1994	1993	1992
Report form	436	439	432	421
Account form	164	161	167	178
Financial position form	—	—	1	1
Total Companies	**600**	**600**	**600**	**600**

CENTEX CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Basis of Balance Sheet Presentation

Balance sheet data are presented in the following categories:

Centex Corporation and Subsidiaries. This represents the adding together of Centex Corporation, Financial Services and all of their consolidated subsidiaries. The effects of transactions among related companies within the consolidated group have been eliminated.

Centex Corporation. This information is presented as supplemental information and represents the adding together of all subsidiaries other than CTX Mortgage Company (Mortgage Banking group) and CTX Holding Company (CTX Holding) and its savings and loan subsidiary, Texas Trust Savings Bank, FSB (Texas Trust) and affiliates (together, the Savings and Loan group) which are presented on an equity basis of accounting.

Financial Services. This represents the adding together of the Mortgage Banking group and the Savings and Loan group. The assets and deposits of Texas Trust were sold in December 1994—See Note B.

FORD MOTOR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Principles of Consolidation

The consolidated financial statements include all significant majority owned subsidiaries and reflect the operat-

ing results, assets, liabilities and cash flows for two business segments: Automotive and Financial Services. The assets and liabilities of the Automotive segment are classified as current or noncurrent, and those of the Financial Services segment are unclassified. Affiliates that are 20% to 50% owned, principally Mazda Motor Corporation and AutoAlliance International Inc., and subsidiaries where control is expected to be temporary, principally investments in certain dealerships, are generally accounted for on an equity basis. For purposes of Notes to Financial Statements, "Ford" or "the company" means Ford Motor Company and its majority owned consolidated subsidiaries unless the context requires otherwise.

Use of estimates and assumptions as determined by management is required in the preparation of consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates and assumptions. Certain amounts for prior periods have been reclassified to conform with 1995 presentations.

NAVISTAR INTERNATIONAL CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Basis of Consolidation

Navistar International Corporation is a holding company, whose principal operating subsidiary is Navistar International Transportation Corp. (Transportation). Transportation operates in one principal industry segment, the manufacture and marketing of medium and heavy trucks, including school buses, mid-range diesel engines and service parts in the United States and Canada and selected export markets. As used hereafter, "Company" refers to Navistar International Corporation and its consolidated subsidiaries.

In addition to the consolidated financial statements, the Company has elected to provide financial information in a format that presents the operating results, financial condition and cash flow designated as "Manufacturing" and "Financial Services." Manufacturing includes the consolidated financial results of the Company's manufacturing operations with its wholly-owned financial services subsidiaries included on a one-line basis under the equity method of accounting. Financial Services includes the consolidated financial results of Navistar Financial Corporation (Navistar Financial), its domestic insurance subsidiary and foreign finance and insurance companies. Navistar Financial's primary business is the retail and wholesale financing of products sold by Transportation and its dealers within the United States and the providing of commercial physical damage and liability insurance to Transportation's dealers and retail customers and to the general public through an independent insurance agency system.

The effects of transactions between Manufacturing and Financial Services have been eliminated to arrive at the consolidated totals. The distinction between current and long-term assets and liabilities in the Statement of Financial Condition is not meaningful when finance, insurance and manufacturing subsidiaries are combined; therefore, the Company has adopted an unclassified presentation.

Certain 1994 and 1993 amounts have been reclassified to conform with the presentation used in the 1995 financial statements.

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

	1995	1994	1993	1992
Cash	63	68	84	94
Cash and cash equivalents	433	425	408	396
Cash and equivalents	45	45	43	43
Cash includes certificates of deposit or time deposits	6	10	9	9
Cash combined with marketable securities	46	50	53	56
No amount for cash	7	2	3	2
Total Companies	**600**	**600**	**600**	**600**

GREIF BROS. CORPORATION (OCT)

(Dollars in thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$ 31,612	$ 29,543
U.S. and Canadian government securities	18,981	23,970
Trade accounts receivable—less allowance of $789 for doubtful items ($989 in 1994)	76,950	69,501
Inventories, at the lower of cost (principally last-in, first-out) or market	53,876	50,944
Prepaid expenses and other	16,482	14,384
Total current assets	197,901	188,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

The Company considers highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Included in these amounts are repurchase agreements and certificates of deposit of $6,800,000 and $11,700,000, respectively, in 1995 ($7,500,000 and $9,400,000, respectively, in 1994).

LYNCH CORPORATION (DEC)

(In thousands)	1995	1994
Current Assets:		
Cash and cash equivalents	$15,921	$18,010
Marketable securities and short-term investments	11,432	13,511
Trade accounts receivable, less allowances of $1,732 and $737 in 1995 and 1994, respectively; includes $3,602 and $3,624 of costs in excess of billings in 1995 and 1994, respectively	52,306	36,454
Inventories..................	33,235	18,955
Deferred income taxes..........	3,944	2,872
Other current assets	6,810	4,083
Total Current Assets..........	123,648	93,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting and Reporting Policies

Cash Equivalents: Cash equivalents consist of highly liquid investments with a maturity of less than three months when purchased.

At December 31, 1995 and 1994, assets of $7.9 million and $13.4 million, which are classified as cash and cash equivalents, are invested in United States Treasury money market funds for which affiliates of the Company serve as investment managers to the respective Funds.

MURPHY OIL CORPORATION (DEC)

(Thousands of dollars)	1995	1994
Current assets		
Cash and cash equivalents	$62,284	71,144
Accounts receivable, less allowance for doubtful accounts of $5,863 in 1995 and $5,554 in 1994......	234,816	244,241
Inventories		
Crude oil and raw materials	70,567	61,541
Finished products............	64,996	44,890
Materials and supplies	40,239	36,000
Prepaid expenses	29,703	36,357
Deferred income taxes..........	17,514	14,939
Total current assets............	520,119	519,112

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Cash Equivalents: Short-term investments (which include government securities or other securities with government securities as collateral) that have a maturity of three months or less from the date of purchase are classified as cash equivalents.

SPECTRUM CONTROL INC. (NOV)

(Dollars in thousands)	1995	1994
Current assets		
Cash	$ 202	$ 102
Accounts receivable, less allowances of $306 in 1995 and $221 in 1994	9,365	7,717
Inventories	11,322	11,395
Deferred income taxes	39	152
Prepaid expenses and other current assets	187	122
Total current assets	21,115	19,488

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short term maturities of these assets and liabilities. The interest rates on substantially all of the Company's bank borrowings are adjusted regularly to reflect current market rates. Accordingly, the carrying amounts of the Company's short-term and long-term borrowings also approximate fair value. The Company utilizes letters of credit to collateralize certain long-term borrowings. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the marketplace.

STANHOME INC. (DEC)

	1995	1994
Current Assets:		
Cash (including interest bearing demand deposits)	$18,144,308	$14,027,093
Certificates of deposit and time deposits...............	4,909,618	5,324,746
Notes and accounts receivable, net..............	158,572,959	140,696,603
Inventories	114,294,928	116,015,060
Prepaid advertising............	39,665,306	40,099,913
Other prepaid expenses	6,784,465	6,513,723
Total current assets..........	342,371,584	322,677,138

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

The Company considers all highly liquid securities, including certificates of deposit, with maturities of three months or less, when purchased, to be cash equivalents, except for $2,000 of deposits in 1995 and 1994, respectively, with terms in excess of three months.

TULTEX CORPORATION (DEC)

(In thousands of dollars)	1995	1994
Current assets:		
Cash and equivalents	$ 1,981	$ 5,776
Accounts receivable, less allowance for doubtful accounts of $4,227 (1995) and $2,115 (1994)	142,732	139,743
Inventories	157,946	130,183
Prepaid expenses	12,498	14,205
Total current assets	315,157	289,907

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Cash and Equivalents: The company considers cash on hand, deposits in banks, certificates of deposit and short-term marketable securities as cash and equivalents for the purposes of the statement of cash flows. Such cash equivalents have maturities of less than 90 days.

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* supersede those of *SFAS No. 12*.

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* applies to entities having total assets of $150 million or more and, effective for fiscal years ending after December 15, 1995, to entities having total assets of less than $150 million.

Most of the 157 survey companies disclosing fair value information for marketable securities stated either that fair value approximated carrying amount or that fair value was estimated based on market quotes. 83 companies stated that fair value, without disclosing the estimating bases, approximated carrying amount; 32 companies stated that fair value, based on market quotes, approximated carrying amount; and 40 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			
	1995	**1994**	**1993**	**1992**
Market/fair value	116	81	15	3
Cost	85	108	164	167
Lower of cost or market	3	16	33	35

Available-For-Sale Securities

BALDOR ELECTRIC COMPANY (DEC)

(In thousands)	1995	1994
Current Assets:		
Cash and cash equivalents	$ 6,322	$ 8,848
Marketable securities	28,487	25,996
Receivables, less allowances of $2,800 and $2,250, respectively	77,768	71,003
Inventories:		
Finished products	61,681	48,516
Work-in-process	11,978	11,933
Raw materials	36,972	29,408
	110,631	89,857
LIFO valuation adjustment (deduction)	(26,942)	(25,759)
	83,689	64,098
Other current and deferred tax assets	15,829	11,227
Total Current Assets	212,095	181,172

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Marketable Securities: All marketable securities are classified as available-for-sale and are available to support current operations or to take advantage of other investment opportunities. These securities are stated at estimated fair value based upon market quotes. Unrealized gains and losses, net of tax, are computed on the basis of specific identification and are included in retained earnings. Realized gains, realized losses, and declines in value, judged to be other-than-temporary, are included in Other Income. The cost of securities sold is based on the specific identification method and interest earned is included in Other Income.

Note C. Marketable Securities

Baldor currently invests in only high quality, short-term investments which it classifies as available-for-sale. As such, there were no significant differences between amortized cost and estimated fair value at December 30, 1995 or December 31, 1994. Additionally, because investments are short-term and are generally allowed to mature, realized gains and loss for both years have been minimal.

The following table presents the estimated fair value breakdown of investment by category:

(In thousands)	Dec. 30, 1995	Dec. 31, 1994
Municipal debt securities	$18,079	$ 4,164
U.S. corporate debt securities	10,970	17,171
U.S. Treasury & agency securities	2,938	5,647
Other debt securities	4,871	1,976
	36,858	28,958
Less cash equivalents	8,371	2,962
	$28,487	$25,996

The estimated fair value of debt and marketable equity securities at December 30, 1995 was $23,552,000 due in one year or less, $1,997,000 due in one to three years, and $2,938,000 due after three years. Because of the short-term nature of the investments, expected maturities and contractual maturities are normally the same.

DSC COMMUNICATIONS CORPORATION (DEC)

(In thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$ 258,565	$ 52,942
Marketable securities...........	310,699	218,380
Receivables..................	277,006	239,740
Inventories....................	303,962	180,674
Other current assets	70,315	46,718
Total current assets	1,220,547	738,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Investments in Debt and Equity Securities

The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"), in 1993. In accordance with FAS 115, prior years' financial statements have not been restated to reflect the change in accounting method. There was no cumulative effect as a result of adopting FAS 115 in 1993.

Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt 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 amortized cost. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale, along with any investments in equity securities. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of income taxes, reported as a separate component of Shareholders' Equity. The Company had had no investments that qualify as trading.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of asset-backed securities, over the estimated life of the security. Such amortization and interest are included in Interest Income. Realized gains and losses are included in Other Income (Expense), Net in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

The Company's investments in debt and equity securities are diversified among high credit quality securities in accordance with the Company's investment policy.

Investments in Debt and Equity Securities

The following is a summary of the investments in debt securities classified as current assets (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1995				
Available for sale securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$198,078	$459	$ (28)	$198,509
Corporate debt securities	103,290	269	(22)	103,537
Asset-backed securities	8,728	—	(75)	8,653
	$310,096	$728	$(125)	$310,699
December 31, 1994				
Available for sale securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$119,245	$—	$(2,000)	$117,245
Certificates of deposit	16,999	—	(136)	16,863
Mortgage-backed and asset-backed securities	57,599	—	(1,170)	56,429
Corporate debt securities	28,301	—	(458)	27,843
	$222,144	$—	$(3,764)	$218,380

Gross realized gains and gross realized losses on sales of available for sale securities were immaterial in 1995 and 1994.

The amortized cost and estimated fair value of available for sale securities by contractual maturity at December 31, 1995 is as follows (in thousands):

	Cost	Estimated Fair Value
Due in one year or less	$152,068	$152,209
Due after one year through three years	147,296	147,822
Due after three years	10,732	10,668
	$310,096	$310,699

Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

Investments in debt securities classified as held to maturity consisted of collateralized bank obligations with an amortized cost of $30.0 million and $12.5 million at December 31, 1995 and 1994, respectively. The gross unrealized gain or loss on these investments, which mature in March 1999 and December 2000, was an unrealized gain of approximately $0.2 million at December 31, 1995 and an unrealized loss of approximately $0.9 million at December 31, 1994. These investments are included in Other Noncurrent Assets on the Consolidated Balance Sheets.

During 1994, the Company entered into agreements to sell and repurchase certain U.S. Treasury securities to fund a portion of the DSC Communications A/S acquisition. Due to the agreements to repurchase these securities, the sales of these securities were not recorded. Instead, the liabilities to repurchase the securities sold under these agreements, which totaled $39.7 million at December 31, 1994, were reported as Short-Term Debt. The securities were repurchased during 1995. See "Credit Agreements and Short-Term Debt" for further discussion.

GIANT FOOD INC. (FEB)

(Dollar amounts in thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$157,045	$111,845
Short-term investments (Note 2) .	92,757	116,499
Receivables..................	43,867	37,504
Inventories	237,978	217,576
Prepaid income taxes	22,548	19,001
Other current assets...........	2,144	3,113
Total current assets..........	556,339	505,538

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

1. Summary of Significant Accounting Policies

Short-term investments: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities" as of February 27, 1994. At February 25, 1995, the Company's short-term investments, all of which are classified as available-for-sale as defined by SFAS No. 115, consist primarily of United States government and Federal agency securities. Pursuant to SFAS No. 115, such investments are stated at market value, and unrealized gains and losses on such securities are reflected, net of tax, in shareholders' equity.

2. Short-Term Investments

The Company adopted SFAS No. 115 as of February 27, 1994. The impact of this change in accounting principle resulted in a decrease in short-term investments of $672 and a decrease in shareholders' equity of $408, representing the after-tax impact of the unrealized losses on short-term investments at the date of adoption. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities. It is the Company's intent to maintain a liquid portfolio to take advantage of investment opportunities; therefore, all securities are considered to be available-for-sale and are classified as current assets. Short-term investments as of February 25, 1995 consist of:

	Cost	Gross Unrealized Holding (Losses) Gains	Fair Value
U.S. Treasury securities	$71,052	$(1,767)	$69,285
Federal agency securities	18,788	(984)	17,804
Corporate bonds and other	5,653	15	5,668
	$95,493	$(2,736)	$92,757

Maturities of short-term investments at February 25, 1995 were as follows:

	Cost	Fair Value
Due within one year..............	$25,163	$25,162
Due after one year through five years	70,330	67,595
	$95,493	$92,757

Prior to adopting SFAS No. 115, the Company valued its securities in accordance with the SFAS No. 12, "Accounting for Certain Marketable Securities" and related interpretations. Short-term investments were stated at cost which approximated fair value.

GOLDEN ENTERPRISES, INC. (MAY)

	1995	1994
Current Assets:		
Cash and cash equivalents	$ 623,592	$ 642,064
Investment securities available-for-sale	13,828,663	—
Marketable securities	—	13,415,968
Receivables:		
Trade accounts	10,234,990	9,839,703
Other	644,709	283,185
	10,879,699	10,122,888
Less: Allowance for doubtful accounts	10,000	10,000
	10,869,699	10,112,888
Inventories:		
Raw materials	1,697,629	1,826,133
Finished goods	2,857,217	2,425,120
	4,554,846	4,251,253
Prepaid expenses	1,968,851	1,967,560
Current assets of discontinued business	—	1,989,309
Total current assets	31,845,651	32,379,042

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investment Securities

Investment securities at May 31, 1995 are principally instruments of the U.S. Government and its agencies, of municipalities and of short-term mutual municipal and corporate bond funds. Effective June 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). This statement, among other things, requires investment securities (bonds, notes, common stock and preferred stock) to be divided into one of three categories: held-to-maturity, available-for-sale, and trading. The Company currently classifies all investment securities as available-for-sale. Under SFAS 115 securities accounted for as available-for-sale includes bonds, notes, common stock and non-redeemable preferred stock not classified as either held-to-maturity or trading. Securities available-for-sale are reported at fair value, adjusted for other-than-temporary declines in value. Unrealized holding gains and losses, net of tax, on securities available-for-sale are reported as a net amount in a separate component of stockholders' equity until realized. Realized gains and losses on the sale of securities available-for-sale are determined using the specific-identification method.

Prior to adopting SFAS 115, all of the Company's marketable securities were reported at cost which approximated market value. Therefore, no adjustment was necessary for the initial effect of adopting SFAS 115 at June 1, 1994.

Note 2. Investment Securities

The amortized cost, gross unrealized gains and losses and fair value of the investment securities available-for-sale as of May 31, 1995, are as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investment securities available-for-sale:				
U.S. Government and its agencies (See Note 5)	$8,098,280	$ 90,321	$—	$ 8,188,601
Municipal obligations	3,549,406	17,201	—	3,566,607
Mutual funds	2,073,455	—	—	2,073,455
Total	$13,721,141	$107,522	$—	$13,828,663

Maturities of investment securities classified as available-for-sale at May 31, 1995 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to recall or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Investment securities available-for-sale		
Due within one year	$ 4,073,455	$ 4,073,755
Due after one year through three years	8,647,686	8,749,608
Due after three years through five years	1,000,000	1,005,300
Total	$13,721,141	$13,828,663

Proceeds from sales of investment securities available-for-sale during fiscal 1995 were $85,497,783 and related net realized losses included in income were $44,399.

At May 31, 1994 marketable securities are as follows:

U.S. Treasury Bills	$11,308,214
Mutual Funds—government and corporate bonds	2,107,754
Total	$13,415,968

LANCE, INC. (DEC)

(In thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$12,585	$12,964
Marketable securities-Note 4	31,905	32,946
Accounts receivable (less allowance for doubtful accounts of $727 in 1995 and $739 in 1994, respectively)	29,429	30,155
Inventories	32,521	38,952
Accrued interest receivable	493	599
Refundable income taxes	4,765	1,959
Deferred income tax benefit	10,494	5,800
Total current assets	$122,192	$123,375

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash, Marketable Securities, Accounts and Notes Receivable and Accounts Payable

The carrying amount of cash, accounts and notes receivable and accounts payable approximates fair value.

Marketable securities at December 30, 1995 are principally instruments of the U.S. government and its agencies, of state governments, and of municipalities. The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities" effective at the beginning of fiscal 1994. Under SFAS 115, the Company classifies its debt and marketable equity securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. The Company does not have any securities classified as trading or held-to-maturity.

Under SFAS 115, available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

Dividend and interest income are recognized when earned. Realized gains and losses for securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

A decline in the market value of any marketable security below cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security.

4. Marketable Securities

At December 30, 1995 and December 31, 1994, the Company has classified all investments as available-for-sale.

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of the available-for-sale securities by major security type at December 30, 1995 and December 31, 1994 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
At December 30, 1995:				
U.S. government agencies	$ 5,975	$ 12	$ (5)	$ 5,982
Municipal obligations	25,578	168	(44)	25,702
Equity securities	54	167		221
Total	$31,607	$347	$ (49)	$31,905
At December 31, 1994:				
U.S. government agencies	$ 5,519	$	$(247)	$ 5,272
Municipal obligations	28,040		(587)	27,453
Equity securities	54	167		221
Total	$33,613	$167	$(834)	$32,946

Maturities of investment securities classified as available-for-sale were as follows at December 30, 1995 (in thousands):

	Amortized Cost	Fair Value
Due within one year	$10,372	$10,440
Due after one year through five years	21,181	21,244
Equity securities	54	221
Total	$31,607	$31,905

Proceeds from sales of marketable securities were $7,436,000 and $17,130,000 in 1995 and 1994, respectively and related net realized losses included in income were $30,000 and $41,333 in 1995 and 1994, respectively. The net change in the unrealized gain (loss) on marketable securities classified as available-for-sale included as a component of equity was $965,000 and ($667,000) for the years ended December 30, 1995 and December 31, 1994, respectively.

SEAGATE TECHNOLOGY (JUN)

(In thousands)	1995	1994
Cash and cash equivalents	$ 702,194	$ 804,717
Short-term investments	544,432	528,825
Accounts receivable	567,747	392,231
Inventories	395,838	342,537
Deferred income taxes	127,768	95,784
Other current assets	106,906	82,351
Total Current Assets	$2,444,886	$2,246,445

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 car-

ried 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.

Effective July 2, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). In accordance with the Statement, prior period financial statements have not been restated to reflect the change in accounting principle. The cumulative effect as of July 2, 1994 of the adoption of SFAS 115 did not have a material effect on the Company's financial condition or results of operations.

The Company has classified its entire investment portfolio as available-for-sale. Available-for-sale securities are stated at fair value with unrealized gains and losses included in shareholders' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses are included in other income (expense). The cost of securities sold is based on the specific identification method.

Financial Instruments

The following is a summary of available-for-sale securities at June 30, 1995:

(In thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Corporate Bonds	$ 375,000	$ 522	$ (58)	$ 375,464
U.S. Government Obligations	201,482	615	(116)	201,981
Commercial Paper	218,734	45	(10)	218,769
Money Market Instruments	112,151	515	—	112,666
Municipal Bonds	72,200	46	—	72,246
Taxable Auction Rate Preferred Stock	108,099	—	(546)	107,553
Total	$1,087,666	$1,743	$(730)	$1,088,679
Included in short-term investments				$544,432
Included in cash and cash equivalents				544,247
Total				$1,088,679

The gross realized gains and losses on the sale of available-for-sale securities were immaterial for the year ended June 30, 1995.

The fair value of the Company investment in debt securities at June 30, 1995, by contractual maturity, is as follows:

(In thousands)	
Due in less than 1 year	$680,214
Due in 1 to 2.5 years	188,246
Total	$868,460

Fair Value Disclosures

The carrying value of cash and cash equivalents approximates fair value. The fair values of short-term investments, convertible subordinated debentures (see Long-Term Debt and Lines of Credit footnote) and foreign currency forward exchange and option contracts are estimated based on quoted market prices. The fair value of the Company's 7.7% note payable approximated its carrying value.

The carrying values and fair values of the Company's financial instruments are as follows:

	June 30, 1995		July 1, 1994	
(In thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$702,194	$702,194	$804,717	$804,717
Short-term investments	544,432	544,432	528,825	528,825
5% convertible subordinated debentures	270,750	422,370	270,750	249,090
6% convertible subordinated debentures	266,838	280,180	266,838	224,811
7.7% note payable	10,000	10,000	10,000	10,000
Foreign currency forward exchange and option contracts	—	(4,142)	—	(946)

Trading Securities

COHERENT, INC. (SEP)

(In thousands)	1995	1994
Current Assets:		
Cash and equivalents	$ 20,426	$ 27,239
Short-term investments	24,242	16,534
Accounts receivable—net allowances of $2,834 in 1995 and $2,384 in 1994	62,374	49,074
Inventories	52,004	38,829
Prepaid expenses and other assets	11,173	11,066
Deferred tax assets	14,733	13,527
Total Current Assets	$184,952	$156,269

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Cash Equivalents and Short-term Investments. The Company's policy is to invest in various short-term debt instruments including certificates of deposit, bankers acceptances and repurchase agreements of major banks and institutions, obligations of the U.S. 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 in debt instruments 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 was not significant.

During fiscal 1995 the Company classified an investment in marketable equity securities as available for sale and recorded an unrealized gain of $171,000 in stockholders' equity at September 30, 1995. The cost of such investment had been written off in previous years when such securities were restricted and recoverability was doubtful.

Note 5. Financial Instruments

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.

Cash equivalents and short-term investments are stated at fair market value based on quoted market prices.

The recorded carrying amount of the Company's long-term obligations approximates fair market value.

The carrying amount and fair value of foreign exchange contracts were $23.6 million and $23.5 million, respectively, at September 30, 1995. The carrying amount and fair value of foreign exchange contracts was $8.5 million at October 1, 1994. The fair value of foreign exchange contracts is estimated by obtaining quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

CURTISS-WRIGHT CORPORATION (DEC)

(In thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$ 8,865	$ 4,245
Short-term investments	69,898	72,200
Receivables, net	36,277	32,467
Deferred tax assets	7,149	8,204
Inventories	29,111	24,889
Other current assets	2,325	2,338
Total current assets	153,625	144,343

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Short-term Investments

The Corporation's short-term investments are comprised of equity and debt securities, all classified as trading securities, which are carried at their fair value based upon the quoted market prices of those investments at December 31, 1995 and 1994. Accordingly, net realized and unrealized gains and losses on trading securities are included in net earnings.

The composition of short-term investments at December 31 is as follows:

(In thousands)	1995		1994	
	Cost	Fair Value	Cost	Fair Value
Investment type:				
Treasury bills	$ 3,494	$ 3,494	$ 3,198	$ 3,198
Money market preferred stock	41,999	41,999	35,800	35,800
Tax-exempt money market preferred stock	12,874	12,874	19,822	19,803
Common and preferred stocks	1,135	1,064	1,970	1,746
Utility common stock purchased	22,694	22,452	21,152	20,873
Utility common stock sold short	(11,599)	(11,985)	(9,192)	(9,220)
Total short-term investments	$70,597	$69,898	$72,750	$72,200

Investment income for the years ended December 31 consists of:

(In thousands)	1995	1994	1993
Net realized gains on the sale of trading securities	$1,282	$1,563	$ 772
Interest and dividend income, net	3,014	2,027	2,011
Net unrealized holding losses	(149)	(550)	
Interest, dividends and gains (losses) on short-term investments, net	$4,147	$3,040	$2,783

The Corporation had one forward currency exchange contract outstanding at December 31, 1995 and 1994 to hedge its exposure to foreign currency fluctuations on short-term Canadian securities. This contract expires in August 1996. The carrying values of the asset and related forward contract were $3,377,000 and $3,613,000, respectively, at December 31, 1995 and $3,101,000 and $3,452,000, respectively, at December 31, 1994.

THE FAIRCHILD CORPORATION (JUN)

(In thousands)	1995	1994
Current Assets:		
Cash and cash equivalents (of which $5,968 and $4,745 is restricted)	$ 71,182	$102,368
Short-term investments	4,116	6,649
Accounts receivable-trade, less allowances of $5,610 and $3,468	93,607	74,196
Inventories:		
Finished goods	53,771	47,120
Work-in-process	27,704	30,907
Raw materials	23,434	11,988
	104,909	90,015
Prepaid expenses and other current assets	18,116	20,128
Total Current Assets	$291,930	$293,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Investments

On July 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). There was no cumulative effect as the result of adopting SFAS 115 in Fiscal 1995.

Management determines the appropriate classification of its investments at the time of acquisition and reevaluates such determination at each balance sheet date. Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses, net of tax, reported as a separate component of shareholders' equity. Investments in equity securities and limited partnerships that do not have readily determinable fair values are stated at cost, adjusted for impairments, and categorized as other investments. At June 30, 1994, the Company used the lower of cost or market method for its investments. In determining realized gains and losses, the cost of securities sold is based on the specific identification method. Interest on corporate obligations, as well as dividends on preferred stock are accrued at the balance sheet date.

5. Investments

Short-term investments at June 30, 1995, primarily consist of common stock investments in public corporations, which are classified as trading securities. All other short-term investments and all long-term investments do not have readily determinable fair values and consist of investments in limited partnerships and certain preferred and common stocks. A summary of investments held by the Company consist of the following:

	1995		1994	
Name of Issuer or Type of Each Issue	Aggregate Fair Value	Cost Basis	Aggregate Market Value	Cost Basis
(In thousands)				
Short-term Investments:				
Trading Securities:				
Common Stock	$3,968	$5,088	$2,969	$4,053
Other Investments	148	148	3,680	3,920
	$4,116	$5,236	$6,649	$7,973
Long-term Investments:				
Preferred Stock	$492	$492	$2,748	$2,748
Real Estate Development Joint Venture Limited Partnership (a)	—	—	3,396	3,396
Bidermann Industries USA, Inc. (b)	—	—	9,314	9,314
Other Investments	346	346	—	—
	$838	$838	$15,458	$15,458

(a) Represents a former plant site in Redondo Beach, California, which was contributed to a joint venture with a developer that has built and partially leased a retail center. This investment was reclassified to net assets held for sale in 1995.

(b) The Company received proceeds of approximately $12,000,000 relating to the sale of collateral and liquidation of the assets attached in the Maurice Bidermann litigation. (See Note 18).

Investment income is summarized as follows:

(In thousands)	1995	1994	1993
Gross realized gains from sales	$3,948	$4,320	$962
Change in unrealized holdings loss on trading securities	(36)	—	—
Lower of cost or market valuation adjustment	—	(1,084)	288
Gross realized loss from impairments	(652)	(426)	(320)
Dividend income	2,445	3,355	1,502
Interest income	—	—	264
	$5,705	$6,165	$2,696

14. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, ("SFAS 107") "Disclosures about Fair Value of Financial Instruments", requires disclosures of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the as-

sumptions used, including discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

The carrying amount reported in the balance sheet approximates the fair value for cash and cash equivalents, short-term borrowings, current maturities of long-term debt, and all other variable rate debt (including borrowings under the Credit Agreement).

Fair values for equity securities, long-term public debt issued by the Company, and publicly issued preferred stock of FII are based on quoted market prices, where available. For equity securities not actively traded, fair values are estimated by using quoted market prices of comparable instruments or, if there are no relevant comparables, on pricing models or formulas using current assumptions. The fair value of limited partnerships, other investments, and notes receivable are estimated by discounting expected future cash flows using a current market rate applicable to the yield, considering the credit quality and maturity of the investment.

The fair value for the Company's other 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.

Fair values for the Company's off-balance-sheet instruments (letters of credit, commitments to extend credit, and lease guarantees) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counter parties' credit standing. The fair value of the Company's off-balance-sheet instruments at June 30, 1995, is not material.

Held-to-Maturity Securities

THE COCA-COLA COMPANY (DEC)

(In millions)	1995	1994
Current Assets:		
Cash and cash equivalents	$1,167	$1,386
Marketable securities	148	145
	1,315	1,531
Trade accounts receivable, less allowances of $34 in 1995 and $33 in 1994	1,695	1,470
Finance subsidiary receivables	55	55
Inventories	1,117	1,047
Prepaid expenses and other assets	1,268	1,102
Total Current Assets	$5,450	$5,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Financial Instruments

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash, cash equivalents, loans and notes payable approximate their respective fair values due to the short maturities of these instruments. The fair values for marketable equity securities, investments, receivables, long-term debt and hedging instruments are based primarily on quoted prices for those or similar instruments. A comparison of the carrying value and fair value of these financial instruments is as follows (in millions):

December 31,	Carrying Value	Fair Value
1995		
Current marketable securities	$148	$148
Finance subsidiary receivables and investments	406	410
Cost method investments, principally bottling companies	319	319
Marketable securities and other assets	1,246	1,245
Long-term debt	(1,693)	(1,737)
Hedging instruments (see Note 10)	54	(107)
1994		
Current marketable securities	$145	$145
Finance subsidiary receivables and investments	310	315
Cost method investments, principally bottling companies	178	236
Marketable securities and other assets	1,163	1,156
Long-term debt	(1,461)	(1,416)
Hedging instruments (see Note 10)	64	(293)

Certain Debt and Marketable Equity Securities

Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are categorized as either trading, available-for-sale, or held-to-maturity. On December 31, 1995 and 1994, the Company had no trading securities. Securities categorized as available-for-sale are stated at fair value, with unrealized gains and losses, net of deferred income taxes, reported in share-owners' equity. Debt securities categorized as held-to-maturity are stated at amortized cost.

On December 31, 1995 and 1994, available-for-sale and held-to-maturity securities consisted of the following (in millions):

December 31,	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
1995				
Available-for-sale securities				
Equity securities	$128	$151	$(2)	$277
Collateralized mortgage obligations	147	—	(5)	142
Other debt securities	26	—	—	26
	$301	$151	$(7)	$445
Held-to-maturity securities				
Bank and corporate debt	$1,333	$—	$—	$1,333
Other debt securities	40	—	—	40
	$1,373	$—	$—	$1,373
1994				
Available-for-sale securities				
Equity securities	$48	$76	$(4)	$120
Collateralized mortgage obligations	150	—	(11)	139
Other debt securities	32	—	—	32
	$230	$76	$(15)	$291
Held-to-maturity securities				
Bank and corporate debt	$1,388	$—	$—	$1,388
Other debt securities	68	—	—	68
	$1,456	$—	$—	$1,456

On December 31, 1995 and 1994, these investments were included in the following captions on the consolidated balance sheets (in millions):

December 31,	Available-for-Sale Securities	Held-to-Maturity Securities
1995		
Cash and cash equivalents	$ —	$ 900
Current marketable securities	74	74
Cost method investments, principally bottling companies	222	—
Marketable securities and other assets	149	399
	$445	$1,373
1994		
Cash and cash equivalents	$ —	$1,041
Current marketable securities	87	58
Cost method investments, principally bottling companies	58	—
Marketable securities and other assets	146	357
	$291	$1,456

The contractual maturities of these investments as of December 31, 1995, were as follows (in millions):

	Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Amortized Cost	Fair Value
1996	$ 22	$ 22	$ 974	$ 974
1997-2000	4	4	379	379
After 2000	—	—	20	20
Collateralized mortgage obligations	147	142	—	—
Equity securities	128	277	—	—
	$301	$445	$1,373	$1,373

For the years ended December 31, 1995, and 1994, gross realized gains and losses on sales of available-for-sale securities were not material. The cost of securities sold is based on the specific identification method.

PFIZER INC. (DEC)

(Millions of dollars)	1995	1994
Current Assets		
Cash and cash equivalents	$ 403.3	$1,458.5
Short-term investments	1,108.7	560.1
Accounts receivable, less allowances for doubtful accounts: 1995—$61.0; 1994—$44.1	2,024.0	1,665.0
Short-term loans	289.1	361.3
Inventories		
Finished goods	564.4	528.0
Work in process	578.8	534.9
Raw materials and supplies	240.9	202.0
Prepaid expenses, taxes and other assets	943.2	478.6
Total current assets	$6,152.4	$5,788.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments in Debt and Equity Securities

In 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities.*

As of December 31, 1995 and 1994, the status of the securities accounted for under SFAS No. 115, was as follows:

	Amortized Cost	
(Millions of dollars)	1995	1994
Held-to-maturity		
Corporate debt	$682.2	$381.5
Certificates of deposit	350.3	234.7
Municipals	221.6	88.6
U.S. government agencies	56.4	28.2
Foreign governments	51.1	51.8
Commercial paper	48.0	91.0
Mortgage-backed	30.4	33.4
Total	$1,440.0	$909.2

As of December 31, 1995 and 1994, the aggregate fair value of the held-to-maturity securities was $1,440.2 and $900.7 million, respectively. The gross unrealized gains and losses by type of security were not material.

(Millions of dollars)	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale: Equity securities				
1995	$67.7	$109.5	$49.6	$(7.8)
1994	56.7	60.1	18.8	(15.4)

The above securities are reflected in the Consolidated Balance Sheet as follows:

(Millions of dollars)	1995	1994
Cash and cash equivalents	$ 153.2	$ 90.0
Short-term investments	1,108.7	560.1
Long-term loans and investments	287.6	319.2

The contractual maturities of the held-to-maturity securities as of December 31, 1995 were as follows:

	Years				
(Millions of dollars)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total
Corporate debt	$572.0	$82.3	$20.1	$7.8	$682.2
Certificates of deposit	332.8	17.5	—	—	350.3
Municipals	201.6	20.0	—	—	221.6
U.S. government agencies	56.4	—	—	—	56.4
Foreign governments	51.1	—	—	—	51.1
Commercial paper	48.0	—	—	—	48.0
Subtotal	$1,261.9	$119.8	$20.1	$7.8	$1,409.6
Mortgage-backed					30.4
Total					$1,440.0

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair values of financial instruments:

For short-term financial instruments, the carrying amount approximates the fair value because of the short maturities of those instruments. For loans, the carrying amount approximates the fair value because of the short reset period.

Quoted market prices or dealer quotes for the same or similar instruments were used for certain long-term interest-bearing deposits and investments, long-term debt, forward-exchange contracts and currency options.

Interest-rate and currency-swap agreements have been valued by using the estimated amount that the Company would receive or pay to terminate the swap agreements at the reporting date based on broker quotes, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The difference between the fair values and carrying values of the Company's financial instruments is not material.

Reclassification

DEERE & COMPANY (OCT)

(In millions of dollars)	1995	1994
Assets		
Cash and short-term investments	$363.7	$245.4
Cash deposited with unconsolidated subsidiaries		
Cash and cash equivalents	363.7	245.4
Marketable securities	829.7	1,126.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketable Securities

Marketable securities are held by the insurance and health care subsidiaries. The company adopted FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, in the first quarter of 1995. Held-to-maturity debt securities are carried at amortized cost. Available-for-sale debt securities and equity securities are carried at fair value with unrealized gains and losses shown as a separate component of stockholders' equity. Previously, the company valued all its debt securities on an amortized cost basis and its equity securities on a cost basis. Realized gains or losses from the sales of marketable securities are based on the specific identification method.

The amortized cost and fair value of marketable securities in millions of dollars follow:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
October 31, 1995				
Held-to-Maturity				
U.S. government and agencies	$ 79	$ 5		$ 84
States and municipalities	170	11	$ 1	180
Corporate	126	7		133
Mortgage-backed securities	124	6	1	129
Total	499	29	2	526
Available-for-Sale				
Equity securities	6			6
U.S. government and agencies	111	2	1	112
States and municipalities	24	1		25
Corporate	151	3	1	153
Mortgage-backed securities	30	1		31
Other	4			4
Total	326	7	2	331
Marketable securities	$ 825	$36	$ 4	$ 857
October 31, 1994				
Equity securities	$ 34	$ 5	$ 1	$38
U.S. government and agencies	216	4	11	209
States and municipalities	214	9	5	218
Corporate	416	8	20	404
Mortgage-backed securities	236	3	20	219
Other	10			10
Marketable securities	$1,126	$29	$57	$1,098

The contractual maturities of debt securities at October 31, 1995 in millions of dollars follow:

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 7	$ 7	$ 28	$ 28
Due after one through five years	107	109	184	185
Due after five through 10 years	107	114	50	52
Due after 10 years	278	296	54	56
Debt securities	$499	$526	$316	$321

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Proceeds from the sales of available-for-sale securities were $79 million in 1995, and gross realized gains and losses on those sales were $9 million and $2 million, respectively. The increase in the net unrealized holding gain on available-for-sale securities was $5 million ($3 million after income taxes) during 1995. In 1995, the John Deere Life Insurance Company was sold, including its held-to-maturity marketable securities of $229 million and available-for-sale securities of $100 million.

During November 1995, in concurrence with the adoption of "A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities—Questions and Answers," the company transferred all its held-to-maturity debt securities to the available-for-sale category. The amortized cost of these securities at the time of transfer was $484 million and the unrealized gain was $29 million ($19 million after income taxes). Although the company's intention to hold a majority of its debt securities to maturity has not changed, the transfer was made to increase flexibility in responding to future changes.

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.

173 survey companies disclosed fair value information about current receivables of which 169 stated that fair value approximated carrying amount. Such a disclosure is not required by *Statement of Financial Accounting Standards No. 107.*

Examples of receivables shown as current assets follow.

TABLE 2-5: CURRENT RECEIVABLES

	1995	1994	1993	1992
Trade Receivable Captions				
Accounts receivable	255	250	250	237
Receivables	143	159	147	147
Trade accounts receivable	131	119	124	136
Accounts and notes receivable	71	72	79	80
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Contracts	51	48	57	57
Tax refund claims	38	34	42	51
Finance	28	25	25	25
Investees	24	27	31	31
Employees	8	5	7	7
Installment notes or accounts	6	5	8	5
Sale of assets	5	6	1	10

RECEIVABLES OTHER THAN TRADE RECEIVABLES

Contracts

FOSTER WHEELER CORPORATION (DEC)

(In thousands of dollars)	1995	1994
Current Assets:		
Cash and cash equivalents	$ 167,131	$ 235,801
Short-term investments	112,853	118,561
Accounts and notes receivable:		
Trade	630,751	442,127
Other	84,988	54,854
Contracts in process	340,526	171,144
Inventories	42,716	27,634
Prepaid and refundable income taxes	39,346	47,543
Prepaid expenses	20,662	15,045
Total current assets	$1,438,973	$1,112,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Accounts and Notes Receivable

The following tabulation shows the components of trade accounts and notes receivable:

	1995	1994
From long-term contracts:		
Amounts billed due within one year	$299,594	$277,530
Retentions:		
Billed:		
Estimated to be due in:		
1995	—	30,929
1996	21,950	7,288
1997	1,196	—
1999	19,765	6,905
Total billed	42,911	45,122
Unbilled:		
Estimated to be due in:		
1995	—	38,074
1996	178,357	3,171
1998	724	—
Total unbilled	179,081	41,245
Total retentions	221,992	86,367
Total receivables from long-term contracts	521,586	363,897
Other trade and notes receivable	115,119	82,898
	636,705	446,795
Less, allowance for doubtful accounts	5,954	4,668
	$630,751	$442,127

LITTON INDUSTRIES, INC. (JUL)

(Thousands of dollars)	1995	1994
Current Assets		
Cash and marketable securities	$110,696	$117,104
Accounts receivable less allowance for doubtful accounts of $13,189 (1995) and $12,866 (1994) (Note D)	420,937	320,985
Inventories less progress billings	552,195	481,073
Deferred tax assets	362,819	330,495
Prepaid expenses	18,609	14,416
Total Current Assets	1,465,256	1,264,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D. Accounts Receivable and Inventories

Following are the details of accounts receivable:

(Thousands of dollars)	July 31 1995	1994
Receivables related to long-term contracts		
Amounts billed		
U.S. Government	$162,995	$89,571
Other	43,028	43,821
Unbilled recoverable costs and accrued profit on progress completed and retentions		
U.S. Government	17,362	25,103
Other	27,304	11,404
	250,689	169,899
Other receivables, principally from commercial customers	170,248	151,086
	$420,937	$320,985

Of the $44.7 million in retentions and amounts not billed at July 31, 1995, $31.2 million is expected to be collected in fiscal year 1996 with the balance to be collected in subsequent years, as contract deliveries are made and warranty periods expire.

TRW INC. (DEC)

(In millions)	1995	1994
Current assets		
Cash and cash equivalents	$ 59	$ 109
Accounts receivable, net of allowances of $21 million and $23 million	1,428	1,338
Inventories		
Finished products and work in process	298	246
Raw materials and supplies	236	224
Total inventories	534	470
Prepaid expenses	78	59
Deferred income taxes	237	239
Total current assets	$2,336	$2,215

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Accounts Receivable: Accounts receivable at December 31, 1995 and 1994 included $507 million and $492 million, respectively, related to long-term contracts, of which $253 million and $269 million, respectively, were unbilled. Unbilled costs, fees and claims represent revenues earned and billable in the following month as well as revenues earned but not billable under terms of the contracts. A substantial portion of such amounts are expected to be billed during the following year. Retainage receivables and receivables subject to negotiation are not significant.

Tax Refund Claims

BELDING HEMINWAY COMPANY, INC. (DEC)

(Dollars in thousands)	1995	1994
Current Assets:		
Cash and cash equivalents	$ 629	$ 1,015
Accounts receivable trade (net of allowance of $2,127 and $2,376 respectively)	11,314	10,815
Inventories	18,360	15,733
Federal income taxes receivable	787	525
Current deferred tax asset	313	2,180
Other current assets	953	1,250
	$32,356	$31,518

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Income Taxes

The Federal income tax receivable of $787 thousand consists of $112 thousand which represents a carryback of losses and $675 thousand representing payments to the Internal Revenue Service for future liabilities.

BRENCO, INCORPORATED (DEC)

	1995	1994
Current Assets:		
Cash and cash equivalents	$10,483,908	$6,650,133
Accounts receivable—net of allowance for doubtful accounts of $286,773 (1994-$279,469)	19,194,342	18,303,819
Inventories:		
Finished goods	4,921,929	3,060,172
Work in process	9,779,330	9,616,104
Raw material	2,980,968	2,893,182
	17,682,227	15,569,458
Less: LIFO Allowance	1,716,200	1,466,351
	15,966,027	14,103,107
Prepaid expenses	1,974,029	1,489,722
Deferred income taxes	875,291	908,091
Income taxes recoverable	1,026,097	513,003
Total Current Assets	$49,519,694	$41,967,875

EAGLE-PICHER INDUSTRIES, INC. (NOV)

(In thousands of dollars)	1995	1994
Current Assets		
Cash and cash equivalents	$ 93,330	$ 92,606
Receivables, less allowances of $1,860 in 1995 and $1,445 in 1994	127,044	109,130
Income tax refund receivable	4,402	2,246
Inventories	83,647	81,982
Prepaid expenses	17,695	10,295
Total Current Assets	$326,118	$296,259

Finance Receivables

XEROX CORPORATION (DEC)

(In millions)	1995	1994
Assets		
Cash	$ 130	$ 35
Accounts Receivable, net	1,894	1,811
Finance Receivables, net	4,069	3,910
Inventories	2,646	2,294
Deferred Taxes and Other Current Assets	1,094	1,199
Total Current Assets	9,833	9,249

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, unless otherwise indicated)

4. Finance Receivables, Net

Finance receivables represent installment sales and sales-type leases resulting from the marketing of the Company's business equipment products. These receivables generally mature over two to five years and are typically collateralized by a security interest in the underlying assets. The components of finance receivables, net at December 31, 1995, 1994 and 1993 follow:

	1995	1994	1993
Gross receivables	$12,721	$12,135	$11,119
Unearned income	(2,207)	(2,074)	(2,032)
Unguaranteed residual values	283	206	165
Allowance for doubtful accounts	(322)	(319)	(300)
Finance receivables, net	10,475	9,948	8,952
Less current portion	4,069	3,910	3,358
Amounts due after one year, net	$6,406	$6,038	$5,594

Contractual maturities of the Company's gross finance receivables subsequent to December 31, 1995 follow:

1996	1997	1998	1999	2000	Thereafter
$5,138	$3,427	$2,338	$1,284	$459	$75

Experience has shown that a portion of these finance receivables will be prepaid prior to maturity. Accordingly, the preceding schedule of contractual maturities should not be considered a forecast of future cash collections.

10 (In Part): Debt

Match Funding of Finance Receivables and Indebtedness.

The Company employs a match funding policy for customer financing assets and related liabilities. Under this policy, which is more fully discussed in the accompanying Financial Review on Page 45, the interest and currency characteristics of the indebtedness are, in most cases, matched to the interest and currency characteristics of the finance receivables. At December 31, 1995, these operations had approximately $10.7 billion of net finance receivables, which will service approximately $8.8 billion of assigned short- and long-term debt, including $0.3 billion of debt assigned to discontinued third-party financing businesses.

11 (In Part): Financial Instruments

Fair Value of Financial Instruments. The estimated fair values of the Company's financial instruments at December 31, 1995 and 1994 follow:

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 130	$ 130	$ 35	$ 35
Accounts receivable, net	1,894	1,894	1,811	1,811
Short-term debt	884	884	1,259	1,259
Long-term debt	10,529	10,864	9,255	9,458
Interest rate and currency swap agreements	—	(73)	—	(10)
Forward-foreign exchange contracts	—	(29)	—	(7)

The fair value amounts for Cash, Accounts receivable, net and Short-term debt approximate carrying amounts due to the short maturities of these instruments.

The fair value of long-term debt was estimated based on quoted market prices for these or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The difference between the fair value and the carrying value represents the theoretical net premium the Company would have to pay to retire all debt at such date. The Company has no plans to retire significant portions of its long-term debt prior to scheduled maturity. The Company is not required to determine the fair value of its finance receivables, the match funding of which is the source of much of the Company's interest rate swap activity.

The fair values for interest rate swap agreements and forward-foreign exchange contracts were calculated by the Company based on market conditions at year-end and supplemented with quotes from brokers. They represent amounts the Company would receive (pay) to terminate/replace these contracts. The Company has no present plans to terminate/replace significant portions of these contracts.

Receivables From Affiliates

COCA-COLA ENTERPRISES INC. (DEC)

(In millions)	1995	1994
Current Assets		
Cash and cash equivalents, at cost approximating market	$ 8	$ 22
Trade accounts receivable, less allowances of $33 and $34 million, respectively	510	467
Amounts due from The Coca-Cola Company	6	—
Inventories:		
Finished goods	151	170
Raw materials and supplies	74	66
	225	236
Current deferred income taxes	130	—
Prepaid expenses and other current assets	103	85
Total Current Assets	$982	$810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Related Party Transactions

The Coca-Cola Company owns approximately 44% of the Company's outstanding common shares, and the Company generates approximately 90% of its product sales volume from the sale of products of The Coca-Cola Company. The Company and The Coca-Cola Company have entered into various transactions and agreements in the ordinary course of business. Certain transactions and agreements entered into between the Company and The Coca-Cola Company are disclosed in other sections of the accompanying financial statements and related notes. The following discusses other significant transactions between the Company and The Coca-Cola Company and its affiliates.

ADOLPH COORS COMPANY (DEC)

(In thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$32,386	$27,168
Accounts and notes receivable:		
Trade less allowance for doubtful accounts of $30 in 1995 and $24 in 1994	89,579	81,454
Affiliates	16,329	17,000
Other	10,847	7,873
Inventories:		
Finished	58,486	67,500
In process	28,787	22,918
Raw materials	37,298	38,108
Packaging materials, less allowance for obsolete inventories of $1,000 in 1995	14,854	13,078
Total inventories	139,425	141,604
Other supplies	39,364	38,340
Prepaid expenses and other assets	13,634	13,638
Prepaid income taxes	—	1,779
Deferred tax asset	20,956	26,310
Total current assets	$362,520	$355,166

LEE ENTERPRISES, INCORPORATED (SEP)

(Dollars in thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$ 10,683	$ 18,784
Temporary investments	200	38,859
Trade receivables, less allowance for doubtful accounts 1995 $4,100; 1994 $4,100	57,146	46,170
Receivables from associated companies	1,438	2,169
Inventories	18,355	13,147
Program rights and other	16,687	16,578
Total current assets	$104,509	$135,707

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Investments in Associated Companies

Receivables from associated companies consist of dividends. Certain information relating to Company investments in these associated companies is as follows:

(In thousands)	1995	1994	1993
Share of:			
Stockholders' equity	$10,164	$21,265	$19,601
Undistributed earnings	9,946	19,508	17,844

Employee

MET-PRO CORPORATION (JAN)

	1996	1995
Current assets		
Cash and cash equivalents	$ 7,415,375	$ 6,648,380
Accounts receivable, net of allowance for doubtful accounts of approximately $195,000 and $184,000, respectively	8,941,157	8,107,243
Notes receivables, ESOT-Note 4	400,000	—
Inventories	10,302,844	10,693,734
Prepaid expenses, deposits and other current assets	559,238	646,571
Deferred income taxes	649,947	500,000
Total current assets	$28,268,561	$26,595,928

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Notes Receivable, ESOT

The Company has advanced a total of $400,000 to the Employee Stock Ownership Trust to acquire shares of the Company's stock. The advances are evidenced by five demand notes bearing interest with rates ranging from 5.15% to 5.64% per annum.

Sale Of Assets

TYLER CORPORATION (DEC)

	1995	1994
Current assets		
Cash and cash equivalents	$3,247,000	$1,897,000
Accounts receivable (less allowance for losses of $396,000 in 1995 and $657,000 in 1994)	16,250,000	19,541,000
Amount due from Union Acquisition Corporation	7,599,000	—
Merchandise inventories	22,258,000	24,946,000
Income tax receivable	4,361,000	—
Prepaid expense	5,529,000	3,107,000
Deferred income tax benefit	1,406,000	3,981,000
Total current assets	$60,650,000	$53,382,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations (In Part):

On December 1, 1995, the Company sold all the outstanding capital stock of Swan Transportation Company ("Swan") to Union Acquisition Corporation ("Union"), an Alabama corporation. In the same transaction, Tyler Pipe Industries, Inc. ("Tyler Pipe"), a wholly owned subsidiary of the Company, sold substantially all of its assets to Union, and Union assumed substantially all the liabilities of Tyler Pipe. The results of these entities are included as discontinued operations. The assets Tyler Pipe sold and the liabilities Union assumed included all those relating to Tyler Pipe's business of manufacturing and marketing cast iron pipe and fittings, excluding cash and certain other assets and liabilities. Swan is a motor-carrier company that provided transportation services to Tyler Pipe prior to the closing.

Union agreed to purchase the stock and assets for a total consideration of $85,000,000 based on a July 1, 1995, balance sheet, including a $15,000,000 Promissory Note payable to Tyler Pipe subject to adjustment for net cash distributions to the Company from Tyler Pipe from July 1, 1995, through the closing date and certain other items. Tyler Pipe distributed approximately $17,700,000 to the Company from July 1, 1995, through closing. At the closing, Tyler Pipe received $58,540,000 in cash which was used primarily to reduce the Company's bank debt. In January 1996, Tyler Pipe paid Union $6,864,000 to adjust the purchase price principally for seasonal working capital reductions in the fourth quarter of 1995 through the closing, and sold the Promissory Note for $14,463,000.

Assigned To Factor

ACCLAIM ENTERTAINMENT, INC. (AUG)

(In 000s)	1995	1994
Current assets		
Cash	$44,749	$34,676
Marketable securities	26,503	1,926
Accounts receivable—net	179,311	164,794
Inventories	16,015	15,295
Prepaid expenses	41,083	23,214
Other current assets	18,825	10,796
Total current assets	326,486	250,701

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In 000s)

5. Accounts Receivable

Accounts receivable are comprised of the following:

	August 31,	
	1995	1994
Receivables assigned to factor	$155,782	$147,457
Less advances from factor	37,082	12,192
Due from factor	118,700	135,265
Unfactored accounts receivable	33,093	7,848
Accounts receivable—Foreign	41,743	47,235
Other receivables	5,410	9,773
Allowances for returns and discounts	(19,635)	(35,327)
	$179,311	$164,794

Pursuant to a factoring agreement, the Company's principal bank acts as its factor for the majority of its North American receivables, which are assigned on a pre-approved, nonrecourse basis. The factoring charge amounts to 0.25% of the receivables assigned. The Company's obligations to the bank are collateralized by all of the Company's and its North American subsidiaries' accounts receivable, inventories and equipment. The Company has entered into a revolving credit and security agreement with the same bank, which expires on January 31, 1996, in the amount of $70 million. Pursuant to the terms of the agreement, which can be canceled by either party upon 90 days' written notice, the Company is required to maintain specified levels of working capital and net worth. The Company draws down working capital advances and opens letters of credit against the facility in amounts determined on a formula based on factored receivables, inventory and cost of imported goods under outstanding letters of credit. Interest is charged at the bank's prime lending rate minus one-half of one percent (8.25% at August 31, 1995) per annum on such advances. Pursuant to the terms of certain distribution, warehouse and credit and collection agreements, certain of the Company's foreign accounts receivable are due from certain distributors. These receivables are not collateralized and as a result management continually monitors the financial condition of these distributors. No additional credit risk beyond amounts provided for collection losses is believed inherent in the Company's accounts receivable. At August 31, 1995 and 1994, the balance due from a distributors was approximately 19% and 47% of Accounts receivable—Foreign, respectively.

Recoverable Insurance Claims

COLTEC INDUSTRIES INC. (DEC)

(In thousands)	1995	1994
Current assets		
Cash and cash equivalents	$ 3,971	$ 4,188
Accounts and notes receivable (Notes 6 and 13)		
Trade	138,327	129,790
Other	57,858	72,483
	196,185	202,273
Less allowance for doubtful accounts	4,174	4,124
	192,011	198,149
Inventories		
Finished goods	55,533	346,316
Work in process and finished parts	146,916	126,097
Raw materials and supplies	26,987	25,790
	229,436	198,203
Deferred income taxes	13,902	15,222
Other current assets	10,174	13,936
Total current assets	$449,494	$429,698

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Financial Instruments

The following methods and assumptions were used to estimate the fair value of Coltec's financial instruments:

Cash and cash equivalents and accounts and notes receivable, other: The carrying amount approximates fair value due to the short-term maturity of the investments and the short-term nature of the receivables.

Long-term receivables and investments: The fair value is based on quoted market prices for similar publicly traded securities or on the present value of estimated future cash flows.

Long-term debt: The fair value of Coltec's publicly traded long-term debt is based on the quoted market prices for such debt and for non-publicly traded long-term debt, on quoted market prices for similar publicly traded debt.

Forward exchange contracts: The fair value is based on quoted market prices of similar contracts.

The estimated fair value of Coltec's financial instruments at December 31, 1995 and 1994 is as follows:

	1995		1994	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	$ 3,971	$ 3,971	$ 4,188	$ 4,188
Accounts and notes receivable, other	57,858	57,858	72,483	72,483
Long-term receivables and investments—				
Practical to estimate fair value	33,497	42,336	36,008	39,364
Not practical to estimate fair value	8,711	—	8,711	—
Liabilities:				
Long-term debt	945,832	965,065	970,147	962,647
Forward exchange contracts	—	11,147	—	21,026

It was not practicable to estimate the fair value of Coltec's stock investment in Crucible Materials Corporation ("Crucible"), a private corporation. The carrying value of the investment in Crucible is included in other assets in the Consolidated Balance Sheet.

13 (In Part): Commitments and Contingencies

Coltec has recorded an accrual for its liabilities for asbestos-related matters that are deemed probable and can be reasonably estimated (settled actions and actions in advanced stages of processing), and has separately recorded an asset equal to the amount of such liabilities that is expected to be recovered by insurance. In addition, Coltec has recorded a receivable for that portion of payments previously made for asbestos product liability actions and related litigation costs that is recoverable from its insurance carriers. Liabilities for asbestos related matters and the receivable from insurance carriers included in the Consolidated Balance Sheet are as follows:

	December 31,	
(In thousands)	1995	1994
Accounts and notes receivable-other	$53,677	$68,179
Other assets	16,243	13,119
Accrued expenses-other	47,791	34,099
Other liabilities	11,450	8,155

Futures

HANDY & HARMAN (DEC)

	1995	1994
Current assets:		
Cash	$ 6,637,000	$ 2,559,000
Accounts receivable, less allowance for doubtful accounts of $3,021,000 in 1995 and $3,597,000 in 1994	61,036,000	82,733,000
Futures receivable	7,681,000	—
Inventories	84,422,000	89,939,000
Prepaid expenses, deposits and other current assets	3,325,000	12,105,000
Total current assets	$163,101,000	$187,336,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E (In Part): 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 the 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 future sales/purchases of precious metals is amortized over the contract period and is included in interest expense.

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1995 annual reports of 131 survey companies disclosed either the sale of receivables or the pledging of receivables as collateral. The reporting and disclosure requirements of *Statement of Financial Accounting Standards No. 77,* as amended by *SFAS No. 105,* apply to receivables sold with recourse.

Examples of disclosures made in the reports of the survey companies financing receivables follow. Examples of receivables sold with recourse are also presented in connection with Table 1-13.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1995	1994	1993	1992
Receivables sold to finance subsidiaries	13	10	8	5
Receivables sold to independent entities	79	76	83	80
Receivables used as collateral	42	44	50	45
Total References	**134**	**130**	**141**	**130**
Reference to receivable financing	131	125	133	127
No reference to receivable financing	469	475	467	473
Total Companies	**600**	**600**	**600**	**600**

Receivables Sold

BAUSCH & LOMB INCORPORATED (DEC)

(Dollar amounts in thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$193,814	$230,369
Short-term investments, at cost which approximates market	803	2,173
Trade receivables, less allowances of $11,232 and $16,830, respectively	250,587	271,990
Inventories, net	304,298	312,781
Deferred taxes, net	82,557	40,372
Other current assets	98,288	96,281
	$930,347	$953,966

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Accounts Receivable

The Company has entered into two agreements to sell designated pools of U.S. trade accounts receivable up to $75,000,000 and non-U.S. trade accounts receivable up to 3,000,000,000 Japanese yen. The U.S. agreement expires in July 1996 and the non-U.S. agreement expires in December 1997. At December 30, 1995 and December 31, 1994, approximately $95,000,000 and $108,000,000 of receivables, respectively, were sold under these agreements and were reflected as reductions of trade accounts receivable. Fees and discounting expense related to the U.S. agreement were recorded as interest expense and totaled approximately $4,500,000 in 1995, $3,700,000 in 1994 and $3,000,000 in 1993.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across different businesses and geographic areas.

CONAGRA, INC. (MAY)

(Dollars in millions)	1995	1994
Current assets		
Cash and cash equivalents	$ 60.0	$ 166.4
Receivables, less allowance for doubtful accounts of $63.9 and $55.9 (Note 2)	1,540.0	1,589.6
Margin deposits and segregated funds	—	286.0
Inventories		
Hedged commodities	925.4	723.4
Other	2,241.9	2,161.0
Total inventories	3,167.3	2,844.4
Prepaid expenses	372.9	216.9
Total current assets	$5,140.2	$5,143.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Receivables

In September 1990, the Company entered into agreements to sell, for a period of up to five years, undivided participation interests in designated pools of receivables, with limited recourse, in an amount not to exceed $400 million at any one time. In April 1994, the agreement was temporarily increased to $500 million for a period of up to six months, at which time it automatically reduced to the original $400 million. In March 1995, the Company renegotiated the agreements to sell, for a period of three years, interests in pools of receivables, with limited recourse, in an amount not to exceed $500 million at any one time. Participation interests in new receivables may be sold as collections reduce previously sold participation interests. The participation interests are sold at a discount which is included in Selling, Administrative and General Expenses in the Consolidated Statements of Earnings. Gross proceeds from the sales were approximately $500 million at fiscal year-end 1995, 1994 and 1993.

In connection with the September 1990 transaction, the Company entered into interest rate swap agreements with two money center bank counterparties which effectively fix the discount rate on $400 million of such participation interests at 9.4% for five years expiring in August 1995. The net cost (benefit) of these swaps is charged (credited) to interest expense. The estimated fair value based on quoted market prices of the interest rate swap agreements was an obligation of $5.7 million as of May 28, 1995.

IMC GLOBAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Receivables, Net

Accounts receivable at June 30 were as follows:

	1995	1994
Trade accounts	$83.3	$94.5
Non-trade receivables	18.0	16.8
	101.3	111.3
Less:		
Allowances	2.7	2.2
Receivable interest sold	50.0	
	$48.6	$109.1

In October 1994, the Partnership entered into a one-year agreement with a financial institution to sell, on an ongoing basis, an undivided percentage interest in a designated pool of receivables, subject to limited recourse provisions, in an amount not to exceed $75 million. Related costs, charged to interest earned and other non-operating income and expense totaled $2.5 million in 1995. The Company's portion of the proceeds from the initial sale of receivable interests ($32.5 million) was used primarily to retire long-term debt.

OWENS CORNING (DEC)

(In millions of dollars)	1995	1994
Current Assets		
Cash and cash equivalents	$18	$59
Receivables, less allowances of $19 million in 1995 and $16 million in 1994 (Note 10)	314	329
Inventories	253	223
Insurance for asbestos litigation claims —current portion	100	125
Deferred income taxes	70	156
VEBA trust	51	—
Income tax receivable	50	12
Investment in affiliate held for sale	36	—
Other current assets	35	26
Total current assets	$927	$930

NOTES TO FINANCIAL STATEMENTS

10. Accounts Receivable Securitization

In 1994 and 1995, the Company sold certain accounts receivable of its Building Materials operations to a 100% owned subsidiary, Owens-Corning Funding Corporation ("OC Funding"). In December 1994, OC Funding entered into a three-year agreement whereby it can sell, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable up to a maximum of $100 million. At December 31, 1995 and 1994, $100 million and $50 million, respectively, have been sold under this agreement and the sale has been reflected as a reduction of accounts receivable in the Company's consolidated balance sheet. The discount of $6 million on the receivables sold has been recorded as other expenses on the Company's consolidated statement of income for the year ended December 31, 1995.

The Company maintains an allowance for doubtful accounts based upon the expected collectibility of all consolidated trade accounts receivable, including receivables sold by OC Funding.

SEARS, ROEBUCK AND CO. (DEC)

(Millions)	1995	1994
Current Assets		
Cash and invested cash	$ 606	$ 548
Retail customer receivables	20,949	19,033
Less: Allowance for uncollectible accounts and unearned finance charges	843	832
	20,106	18,201
Other receivables	444	321
Merchandise inventories	4,033	4,044
Prepaid expenses and deferred charges	360	303
Deferred income taxes	892	712
Total current assets	$26,441	$24,129

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Retail Customer Receivables

Retail customer receivables at Dec. 30, 1995 include approximately $9.9 billion of domestic accounts and $406 million of Canadian accounts which will not become due within one year. These receivables are expected to earn finance charge revenue at annual percentage rates ranging from 10.3% to 21.0% for domestic accounts and 28.8% for Canadian accounts.

Retail customer receivables are show net of an allowance for uncollectible accounts. When receivables are securitized and sold with recourse, the portion of the allowance for uncollectible accounts pertaining to such receivables is transferred to a recourse liability at the date of sale. Factors such as prior account loss experience, changes in the volume of the account portfolio and overall portfolio quality are considered in determining the allowance and the recourse liability.

8 (In Part): Financial Instruments

Off-Balance Sheet Financial Instruments

The Company is a party to off-balance sheet financial instruments to manage interest rate and foreign currency risk. These financial instruments involve, to varying degrees, elements of market, credit, exchange and interest rate risk in excess of amounts recognized in the balance sheet. The Company does not require collateral or other security to support the financial instruments with credit risk, unless noted otherwise.

• • • • • •

Credit-related
The Company had outstanding securitized retail customer receivables sold with recourse of $4.55 and $3.95 billion at Dec. 30, 1995 and Dec. 31, 1994, respectively. These receivables represent conditional commitments of the Company to guarantee performance to a third party. A portion of the securitized receivables are collateralized by personal property. The Company's credit risk exposure was contractually limited to $613 million at Dec. 30, 1995. The Company had estimated accrued liabilities associated with this credit exposure included in the balance sheet of $169 and $170 million at Dec. 30, 1995 and Dec. 31, 1994, respectively.

Receivables Used As Collateral

ALPHA INDUSTRIES, INC. (MAR)

(In thousands)	1995	1994
Current assets		
Cash and cash equivalents	$3,510	$1,691
Accounts receivable, trade, less allowance for doubtful accounts of $783 and $945 (Note 5)	13,548	13,243
Inventories	9,370	7,613
Prepayments and other current assets	756	490
Total current assets	$27,184	$23,037

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Borrowing Arrangements and Commitments

Line of Credit
The Company has a line of credit with Silicon Valley Bank for $7.5 million which expires on September 5, 1995. The line of credit is collateralized by various receivables, inventories and equipment. Interest payments are due monthly at a rate of 1 % above prime (prime was 9.0% at April 2, 1995). At April 2, 1995, and April 3, 1994, $3.0 million and $1.25 million, respectively, had been borrowed under this line of credit.

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

	1995	1994	1993	1992
Allowance for doubtful accounts	271	260	266	265
Allowance	161	166	164	156
Allowance for losses	26	26	28	28
Allowance for uncollectible accounts	8	9	10	9
Reserve	15	14	13	11
Reserve for doubtful accounts	8	7	5	6
Other caption titles	31	37	33	29
	520	519	519	504
Receivables shown net	16	15	15	14
No reference to doubtful accounts	64	66	66	82
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 and accumulated costs for contracts in process.

Forty companies disclosed that certain LIFO inventory levels were reduced with the result that net income was increased due to the matching of older historical cost with present sales dollars. Twenty-four 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			
	1995	1994	1993	1992
Methods				
First-in first-out (FIFO)	411	417	417	415
Last-in first-out (LIFO)	347	351	350	358
Average cost	185	192	189	193
Other	40	42	42	45
Use of LIFO				
All inventories	14	17	17	23
50% or more of inventories	191	186	191	189
Less than 50% of inventories	88	98	92	91
Not determinable	54	50	50	55
Companies Using LIFO	**347**	**351**	**350**	**358**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1995		1994	
	No.	%*	No.	%*
Advertising	—	—	—	—
Aerospace	7	37	8	40
Apparel, shoes	10	59	10	59
Beverages	3	50	4	67
Building materials, glass	9	60	8	58
Chemicals	27	82	29	85
Computer and data services	—	—	—	—
Computers, office equipment	2	9	2	8
Electronics, electrical equipment	17	31	18	33
Engineering, construction	3	50	3	50
Entertainment	1	33	1	20
Food	18	48	18	46
Forest and paper products	26	96	29	97
Furniture	6	75	5	71
Hotels, casinos	—	—	—	—
Industrial and farm equipment	30	70	33	75
Metal products	17	74	17	74
Metals	18	75	18	75
Mining, crude oil production	6	50	6	46
Motor vehicles and parts	17	65	17	68
Petroleum refining	22	95	22	95
Pharmaceuticals	6	46	7	54
Publishing, printing	14	70	14	70
Retailing—grocery stores	11	100	10	100
Retailing—other stores	15	83	14	82
Rubber and plastic products	8	67	7	64
Scientific, photographic, and control equipment	14	39	13	38
Soaps, cosmetics	4	50	4	50
Textiles	11	85	10	77
Tobacco	3	43	2	33
Transportation equipment	3	75	3	75
Waste management	—	—	—	—
Wholesalers	11	65	11	69
Not otherwise classified	8	31	8	31
Total Companies	**347**	**58**	**351**	**58**

* Percent of total number of companies for each industry classification included in the survey.

FIFO

APPLE COMPUTER, INC. (SEP)

(Dollars in millions)	1995	1994
Current assets:		
Cash and cash equivalents	$ 756	$1,203
Short-term investments	196	55
Accounts receivable, net of allowance for doubtful accounts of $87 ($91 in 1994)	1,931	1,581
Inventories:		
Purchased parts	841	469
Work in process	291	207
Finished goods	643	412
	1,775	1,088
Deferred tax assets	251	293
Other current assets	315	256
Total current assets	$5,224	$4,476

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. If the cost of the inventories exceeds their market value, provisions are made currently for the difference between the cost and the market value.

STANDEX INTERNATIONAL CORPORATION (JUN)

	1995	1994
Current Assets		
Cash and cash equivalents	$ 9,542,926	$ 5,023,401
Receivables—less allowance of $2,854,000 in 1995 and $2,587,000 in 1994	90,492,471	83,380,665
Inventories	116,416,518	104,560,817
Prepaid expenses	3,894,692	3,987,588
Total current assets	$220,346,607	$196,952,471

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Inventories

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

Inventories

Inventories are comprised of (in thousands):

	1995	1994
Raw materials	$ 38,948	$ 36,765
Work in process	27,510	25,598
Finished goods	49,959	42,198
Total	$116,417	$104,561

LIFO

R.R. DONNELLEY & SONS COMPANY (DEC)

(Thousands of dollars)	1995	1994
Assets		
Cash and equivalents	$ 33,122	$ 20,569
Receivables, less allowances for doubtful accounts of $25,311 in 1995 and $19,168 in 1994	1,466,159	987,520
Inventories	380,078	311,237
Prepaid expenses	28,600	34,004
Total Current Assets	$1,907,959	$1,353,330

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Inventories: Inventories include material, labor and factory overhead and are stated at the lower of cost or market. The cost of approximately 66% and 85% of the inventories at December 31, 1995 and 1994, respectively, has been determined using the Last-In, First-Out (LIFO) method. This method reflects the effect of inventory replacement costs in earnings; accordingly, charges to cost of sales reflect recent costs of material, labor and factory overhead. The remaining inventories are valued using the First-In, First-Out (FIFO) or specific identification methods.

Inventories

The components of the company's inventories as of December 31, 1995 and 1994, were as follows:

(Thousands of dollars)	1995	1994
Raw materials and manufacturing supplies	$230,694	$185,527
Work in process	213,741	208,553
Finished goods	34,041	5,821
Progress billings	(47,549)	(45,523)
LIFO allowance	(50,849)	(43,141)
Total	$380,078	$311,237

The company's cost of sales was increased by LIFO provisions of $7.7 million in 1995 (and decreased in 1994 by $2.3 million). In the third quarter of 1995, the company changed from the double-extension method of valuing LIFO inventories to the external-index method. The company believes that this change will result in a better measurement of operating results by properly reflecting the effect of productivity improvements in the company's cost of sales. Because the cumulative effect of this change on periods prior to 1995 cannot be determined, the impact has been reflected in current operations.

This accounting change was adopted effective January 1, 1995; however, the effect of the change on the first two quarters of 1995 was immaterial, and the financial statements for those periods have not been restated. Net income for 1995 was approximately $22 million ($0.15 per share) higher than it would have been had the change not been made.

JLG INDUSTRIES, INC. (JUL)

(In thousands)	1995	1994
Current Assets		
Cash	$12,973	$8,088
Accounts receivable, less allowance for doubtful accounts of $1,325 in 1995 and $965 in 1994	33,466	25,750
Inventories:		
Finished goods	7,630	4,968
Work in process	13,357	9,242
Raw materials	12,459	9,012
	33,446	23,222
Future income tax benefits	4,219	3,531
Other current assets	464	1,871
Total Current Assets	$84,568	$62,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands)

Summary of Significant Accounting Policies (In Part):

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the LIFO (last-in, first-out) method. Inventories at July 31, 1995 and 1994 would have been higher by $4,528 and $4,434, respectively, had the Company used FIFO cost, which approximates current cost, rather than LIFO cost for valuation of its inventories. In 1993, the liquidation of LIFO inventories decreased cost of sales and, therefore, increased income before taxes by $294.

RUBBERMAID INCORPORATED (DEC)

(Dollars in thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$ 50,969	$ 92,249
Marketable securities	—	59,049
Receivables, less allowance for doubtful accounts of $10,467 in 1995 and $11,062 in 1994	499,203	471,384
Inventories	251,723	295,180
Other current assets	49,312	8,804
Total current assets	$851,207	$926,666

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

1 (In Part): Summary of Significant Accounting Policies

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for 80% and 83% of inventories in 1995 and 1994, respectively. Cost of the remaining inventories is determined using the first-in, first-out (FIFO) method.

4. Inventories

A summary of inventories follows:

	1995	1994
FIFO cost:		
Raw materials	$73,862	$93,960
Work-in-process	14,346	16,555
Finished goods	193,991	209,140
	282,199	319,655
Excess of FIFO over LIFO cost	(30,476)	(24,475)
	$251,723	$295,180

Average Cost

BMC INDUSTRIES, INC. (DEC)

(In thousands)	1995	1994
Current Assets		
Cash and cash equivalents.......	$15,874	$14,327
Trade accounts and notes receivable, less allowances of $2,636 and $2,024...........	23,003	24,564
Inventories...................	34,772	28,792
Deferred income taxes..........	3,753	5,914
Other current assets............	5,964	5,221
Total Current Assets..........	$83,366	$78,818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. Cost is determined principally on the average cost method. Provision for potentially obsolete or slow-moving inventory is made based on management's analysis of inventory levels and future sales forecasts.

2. Inventories

The following is a summary of inventories at December 31:

	1995	1994
Raw materials	$12,556	$9,748
Work in process	5,772	5,501
Finished goods	16,444	13,543
Total inventories	$34,772	$28,792

BRISTOL-MYERS SQUIBB COMPANY (DEC)

(Dollars in millions)	1995	1994
Current Assets:		
Cash and cash equivalents	$1,645	$1,642
Time deposits and marketable securities	533	781
Receivables, net of allowances	2,356	2,043
Inventories	1,451	1,397
Prepaid expenses	1,033	847
Total Current Assets	$7,018	$6,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Inventory Valuation
Inventories are generally stated at average cost, not in excess of market.

Note 8. Inventories

		December 31,	
(Dollars in millions)	1995	1994	1993
Finished goods	$ 892	$ 781	$ 741
Work in process	180	233	239
Raw and packaging materials	379	383	342
	$1,451	$1,397	$1,322

Precious Metals

ENGELHARD CORPORATION (DEC)

(In thousands)	1995	1994
Assets		
Cash	$ 40,023	$ 26,404
Receivables	268,578	265,639
Inventories	238,002	243,439
Other current assets	54,440	38,155
Total current assets	$601,043	$573,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cost of Sales and Inventories
Inventories are stated at the lower of cost or market. The elements of cost include direct labor and materials, variable overhead and the full absorption of fixed manufacturing overhead. The cost of precious metals inventories is determined using the last-in, first-out (LIFO) method of inventory valuation. The cost of other inventories is principally determined using either the average cost or first-in, first-out (FIFO) method.

The Company routinely enters into a variety of arrangements for the sourcing and supply of precious metals. These arrangements are spread among a number of counterparties, which are generally major industrial companies or highly rated financial institutions. The conduct of this business is closely monitored and appropriate allowances for potential losses are maintained.

7. Inventories

Inventories consist of the following:

Inventories (In millions)	1995	1994
Raw materials	$ 68.9	$ 62.9
Work in process	30.1	24.1
Finished goods	117.5	103.0
Precious metals	21.5	53.4
Total inventories	$238.0	$243.4

All precious metals inventories are stated at LIFO cost. The market value of the precious metals inventories exceeded cost by $35.5 million and $61.0 million at December 31, 1995 and 1994, respectively. The Company also has a long-term investment in precious metals. The combined market value of precious metals in inventories and the investment exceeded cost by $35.8 million and $71.0 million at December 31, 1995 and 1994, respectively.

In 1995, the Company contributed certain precious metals inventories to its newly formed joint venture, Engelhard-CLAL.

In the normal course of business, certain customers and suppliers deposit significant quantities of precious metals with the Company under a variety of arrangements. Equivalent quantities of precious metals are returnable as product or in other forms.

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			
	1995	**1994**	**1993**	**1992**
Prepaid expenses	146	163	168	174
Prepaid expenses and other current assets	161	157	147	144
Prepaid expenses and deferred taxes	9	8	11	13
Prepaid expenses and advances	6	5	6	6
Prepaid expenses and other receivables	3	4	7	6
Employee benefits	4	4	6	5
Other captions indicating prepaid expenses	28	20	19	19

EKCO GROUP, INC. (DEC)

(Amounts in thousands)	1995	1994
Current assets		
Cash and cash equivalents	$ 142	$ 129
Accounts receivable, net of allowance for doubtful accounts of $1,048 and $1,739, respectively	43,823	46,030
Inventories	47,565	48,242
Prepaid expenses and other current assets	6,719	6,296
Deferred income taxes	4,361	7,330
Investments pledged as collateral	—	3,600
Total current assets	$102,610	$111,627

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Market Expansion Programs and Advertising Costs

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 whether the benefits associated with these costs are expected to be realized and that continued deferral and amortization is justified. Approximately $3.5 million and $4.4 million of these costs are included in prepaid expenses at December 31, 1995 and January 1, 1995, respectively.

The Company expenses all advertising costs as incurred.

HARTMARX CORPORATION (NOV)

(000's omitted)	1995	1994
Current Assets		
Cash and cash equivalents	$ 5,700	$ 2,823
Accounts receivable, less allowance for doubtful accounts of $7,920 in 1995 and $7,368 in 1994	108,486	114,597
Inventories	154,898	183,347
Prepaid expenses	3,471	6,672
Recoverable and deferred income taxes	6,938	4,998
Total current assets	$279,493	$312,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part):

Advertising Costs

Advertising expenditures relating to the manufacturing and marketing businesses are expensed in the period the advertising initially takes place. Direct response advertising costs, consisting primarily of catalog preparation, printing and postage expenditures, are amortized over the period during which the benefits are expected. Recognition of advertising costs is in conformance with the provisions of The American Institute of Certified Public Accountants Statement of Position 93-7, "Reporting of Advertising Costs". Advertising costs of $21.7 million in 1995, $18.8 million in 1994 and $17.4 million in 1993 are included in the accompanying Statement of Earnings. Prepaid expenses at November 30, 1995 includes deferred advertising costs of $2.1 million ($5.1 million at November 30, 1994), which will be reflected as an expense during the quarterly period benefited.

THE TIMES MIRROR COMPANY (DEC)

(In thousands of dollars)	1995	1994
Current Assets		
Cash and cash equivalents	$ 182,901	$ 81,944
Marketable securities	72,806	
Accounts receivable, less allowances for doubtful accounts and returns of $79,536 and $72,317	561,828	528,562
Recoverable income taxes	56,792	5,406
Inventories	173,568	153,017
Deferred income taxes	134,395	
Net assets of discontinued cable television operations		642,377
Prepaid expenses	44,066	75,245
Other current assets	21,681	7,420
Total current assets	$1,248,037	$1,493,971

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Retirement Plans and Postretirement Benefits

A Voluntary Employee Beneficiary Association (VEBA) trust funds certain health care benefits. At December 31, 1995 and 1994, the VEBA trust balance of $385,000 and $20,112,000, respectively, is included in "Prepaid expenses." Future funding of the VEBA is expected to be made on a pay-as-you-go-basis.

WMX TECHNOLOGIES, INC. (DEC)

(000's omitted)	1994	1995
Current Assets		
Cash and cash equivalents	$ 123,348	$ 189,031
Short-term investments	19,704	36,243
Accounts receivable, less allowance of $64,361 in 1994 and $66,840 in 1995	1,878,064	1,880,934
Employee receivables	9,859	8,787
Parts and supplies	194,445	210,864
Costs and estimated earnings in excess of billings on uncompleted contracts	347,064	334,786
Prepaid expenses	379,895	360,404
Total Current Assets	$2,952,379	$3,021,049

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Summary of Accounting Policies

Property and Equipment

Property and equipment (including major repairs and improvements) are capitalized and stated at cost. Items of an ordinary maintenance or repair nature are charged directly to operations. Disposal sites are carried at cost and to the extent this exceeds end use realizable value, such excess is amortized over the estimated life of the disposal site. Disposal site improvement costs are capitalized and charged to operations over the shorter of the estimated usable life of the site or the improvement.

Preparation costs for individual secure land disposal cells are recorded as prepaid expenses and amortized as the airspace is filled. Significant costs capitalized for such cells include excavation and grading costs, costs relating to the design and construction of liner systems, and gas collection and leachate collection systems. Unamortized cell construction cost at December 31, 1994 and 1995 was $154,100,000 and $187,689,000, respectively.

YORK INTERNATIONAL CORPORATION (DEC)

(In thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$ 8,838	$ 5,915
Receivables	554,557	425,146
Inventories	517,983	367,801
Prepayments and other current assets	98,133	51,647
Total current assets	$1,179,511	$850,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Prepayments and Other Current Assets

The components of prepayments and other current assets are summarized below:

(In thousands)	1995	1994
Deferred income tax assets	$65,264	$28,111
Prepaid insurance	14,661	12,172
Other	18,208	11,364
Total prepayments and other current assets	$98,133	$51,647

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			
	1995	**1994**	**1993**	**1992**
Nature of Asset				
Deferred income taxes	365	363	317	247
Property held for sale	32	36	36	28
Unbilled costs	19	28	20	23
Advances or deposits	7	9	10	6
Other—identified	33	29	33	29

Deferred Taxes

ACME METALS INCORPORATED (DEC)

(In thousands)	1995	1994
Current Assets:		
Cash and cash equivalents	$ 53,043	$ 76,639
Short-term investments	83,756	76,384
Receivables, less allowances of $1,335 in 1995 and $1,301 in 1994	55,344	60,878
Inventories	51,932	44,982
Deferred income taxes	12,857	13,354
Other current assets	1,855	1,605
Total current assets	$258,787	$273,842
Investments And Other Assets:		
Investments in associated companies	16,112	14,358
Restricted cash	50,305	201,397
Other assets	19,309	23,221
Deferred income taxes	31,052	20,683
Total investments and other assets	116,778	259,659

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part):

Significant components of the Company's deferred tax liabilities and assets at December 31, 1995 and December 25, 1994 are summarized below:

(In thousands)	1995	1994
Deferred Tax Liabilities		
Property, plant and equipment	$16,839	$17,733
Gross deferred tax liabilities	16,839	17,733
Deferred Tax Assets		
Postretirement benefits other than pensions	37,080	36,004
Pensions	6,523	3,308
Other employee benefits	4,519	3,741
Inventories	4,188	4,541
Interest expense	6,135	1,591
Other liabilities	1,934	1,204
Other assets		983
Miscellaneous	369	398
Gross deferred tax assets	60,748	51,770
Net deferred tax asset	$43,909	$34,037

In 1995 and 1994, the change in the deferred tax asset primarily represents the effect of changes in the amounts of temporary differences from the prior year. In addition, based on the Company's expected future profitability, the net deferred tax asset was increased in 1994 recognizing the effect of legislation enacted during 1993 which increased the maximum corporate tax rate from 34 to 35 percent.

The Company believes it is more likely than not to realize the net deferred tax asset and accordingly no valuation allowance has been provided. This conclusion is based on, (i) reversing deductible temporary differences (excluding postretirement benefit amounts) being offset by reversing taxable temporary differences, (ii) the extremely long period that is available to realize the future tax benefits associated with the postretirement related deductible temporary differences and, (iii) the Company's expected future profitability.

BRIGGS & STRATTON CORPORATION (JUN)

	1995	1994
Current Assets:		
Cash and cash equivalents	$170,648,000	$221,101,000
Receivables, less allowances of $1,537,000 and $1,678,000, respectively	94,116,000	122,597,000
Inventories:		
Finished products and parts	96,540,000	55,847,000
Work inprocess	40,107,000	27,078,000
Raw materials	4,027,000	2,745,000
Total inventories	140,674,000	85,670,000
Future income tax benefits	31,376,000	32,868,000
Prepaid expenses	16,516,000	20,548,000
Total current assets	$453,330,000	$482,784,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

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.

2 (In Part): Income Taxes

The components of deferred tax assets and liabilities at the end of the fiscal year were (in thousands of dollars):

	1995	1994
Future Income Tax Benefits:		
Inventory	$3,710	$3,675
Prepaid expenses	167	1,712
Payroll related accruals	4,153	7,145
Warranties	11,838	11,622
Other accrued liabilities	8,255	6,727
Miscellaneous	3,253	1,987
	$31,376	$32,868
Deferred Income Taxes:		
Difference between book and tax methods applied to maintenance and supply inventories	$(6,618)	$(4,037)
Pension cost	(400)	3,487
Accumulated depreciation	39,176	43,866
Accrued employee benefits	(6,469)	(6,047)
Postretirement		
Health care obligation	(26,796)	(24,991)
Miscellaneous	(759)	39
Net deferred income tax (Asset) liability	$(1,866)	$12,317

FLUKE CORPORATION (APR)

(In thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$ 28,880	$ 6,520
Accounts receivable (less allowances: 1995-$1,141; 1994-$586)	77,222	70,510
Inventories	53,908	54,365
Deferred income taxes	15,159	13,109
Prepaid expenses	7,556	9,914
Total Current Assets	$182,725	$154,418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

Significant components of the Company's deferred tax assets and liabilities are as follows:

(In thousands)	April 28, 1995	April 29, 1994
Deferred Tax Assets:		
Accrued restructuring costs	$ 2	$ 237
Accrued employee benefit expenses	2,525	4,457
Inventory adjustments	5,329	4,301
Net operating loss carryforwards	25,591	21,911
Product warranty accruals	721	525
Other items, net	617	259
Total Deferred Tax Assets	34,785	31,690
Valuation allowance	(19,626)	(18,581)
Net Deferred Tax Assets	$15,159	$13,109
Deferred Tax Liabilities:		
Fixed asset basis differences	$5,701	$5,774
Foreign tax accruals and adjustments	199	231
Pension	1,578	1,078
Intangible assets	1,870	2,057
Other items, net	61	12
Total Deferred Tax Liabilities	$9,409	$9,152

The deferred tax asset valuation allowances are primarily related to deferred tax assets of foreign operations, including Dutch net operating loss (NOL) carryforwards acquired in connection with the Philips acquisition. The acquired foreign NOLs have an unlimited carryover period. A substantial portion of these NOLs were provided for with a valuation allowance at the time of the acquisition. The tax benefit from adjusting the valuation allowance of the acquired NOLs is recorded as a reduction of goodwill. Reductions in goodwill for NOL benefit were $1,925,000 in 1995 and $811,000 in 1994.

Property Held For Sale

ARMCO INC. (DEC)

(Dollars in millions)	1995	1994
Current assets		
Cash and cash equivalents	$136.8	$202.8
Short-term liquid investments	—	25.8
Accounts and notes receivable		
Trade (less allowance for doubtful accounts of $4.4 in 1995 and $4.1 in 1994)	162.8	164.9
Other	6.6	18.4
Inventories	216.2	165.5
Net assets held for sale (Note 11)	85.5	25.6
Other	5.9	46.0
Total current assets	$613.8	$649.0

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

11 (In Part): Discontinued Operations

National-Oilwell

Effective April 1, 1987, Armco exchanged the business and certain net assets of its oil field business for a 50% interest in National-Oilwell, a joint venture equally owned by subsidiaries of Armco and USX Corporation (USX). USX also transferred its oil field equipment and services operation to the joint venture. National-Oilwell sells oil field tubular pipe, and produces and sells drilling and production equipment and process pumps used in the world's oil and gas services industry.

Armco and USX reached a definitive agreement, dated September 22, 1995, to sell their respective partnership interests in National-Oilwell to an entity formed by Duff & Phelps/Inverness, First Reserve Funds and National-Oilwell management. The sale was completed on January 16, 1996. For its 50% interest, Armco received $77.0 in cash, and receivables with a face value of $13.0. The receivables will be recorded at a discounted value of $10.6. After recording $2.1 for recognition of deferred foreign translation losses and miscellaneous expenses, no gain or loss was recognized on the transaction.

Armco recognized equity income from National-Oilwell until September 22, 1995, when the definitive agreement was signed. After that date, Armco's investment in National-Oilwell was equal to its estimated net realizable value and no additional equity income was recorded. The results of National-Oilwell are reported as Discontinued operations on the Statement of Consolidated Operations. At December 31, 1995, Armco's $85.5 investment in the joint venture is reported in Net assets held for sale in the Statement of Consolidated Financial Position.

THE BLACK & DECKER CORPORATION (DEC)

(Millions of dollars)	1995	1994
Assets		
Cash and cash equivalents	$ 131.6	$ 65.0
Trade receivables, less allowances of $43.1 for 1995 and $38.2 for 1994	651.3	635.1
Inventories	855.7	700.5
Net assets of discontinued operations	302.4	333.1
Other current assets	165.6	110.1
Total Current Assets	$2,106.6	$1,843.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Discontinued Operations

On December 13, 1995, the Corporation announced that it had signed a definitive agreement to sell PRC Inc. for $425.0 million. The sale of PRC Inc. to Litton Industries, Inc., is expected to be completed in the first quarter of 1996. A net gain on the sale of PRC Inc., estimated at $80.0 to $90.0 million, will be recognized upon completion of the sale. The Corporation sold PRC Realty Systems, Inc. ("RSI") on March 31, 1995, and sold PRC Environmental Management, Inc. ("EMI") on September 15, 1995, for proceeds of $60.0 million and $35.5 million, respectively. The aggregate gain on the sale of RSI and EMI of $2.5 million, net of applicable income taxes of $5.5 million, is included in earnings of discontinued operations for 1995. Together, PRC Inc., RSI, and EMI comprised the Corporation's information technology and services ("PRC") segment.

Earnings from the discontinued PRC segment amounted to $38.4 million in 1995, $37.5 million in 1994, and $31.1 million in 1993, net of applicable income taxes of $8.7 million, $4.0 million, and $1.3 million, respectively, and are shown separately in the Consolidated Statement of Earnings. The results of the discontinued operations of PRC do not reflect any expense for interest allocated by or management fees charged by the Corporation.

Revenues of the discontinued PRC segment were $800.1 million in 1995, $883.1 million in 1994, and $760.7 million in 1993. These revenues are not included in revenues as reported in the Consolidated Statement of Earnings.

Net assets of the discontinued PRC segment at the end of each year, in millions of dollars, consisted of the following:

	1995	1994
Cash and cash equivalents	$ 2.8	$ .9
Accounts receivable, net of allowances	251.9	275.8
Inventories	13.5	22.5
Current deferred tax benefits	40.0	—
Other current assets	22.6	23.3
Plant and equipment, net of accumulated depreciation	20.0	35.4
Goodwill, net of accumulated amortization	40.1	98.3
Other non-current assets	46.0	46.3
Accounts payable	(97.5)	121.1)
Accrued expenses and other liabilities	(37.0)	(48.3)
	$302.4	$333.1

MAPCO INC. (DEC)

(Dollars in millions)	1995	1994
Current Assets:		
Cash and cash equivalents	$ 33.3	$ 30.6
Receivables, less allowance for doubtful accounts (1995-$1.5; 1994-$2.3)	237.8	263.3
Inventories	117.1	111.0
Prepaid expenses	22.3	44.1
Other current assets	27.0	29.9
Net assets held for sale (Note 3)	248.3	—
Total current assets	$685.8	$478.9

NOTES TO FINANCIAL STATEMENTS

Note 3 (In Part): Net Assets Held for Sale

In January 1996, the Company signed a letter of intent to sell 75 percent of substantially all of the net assets of its Coal segment to The Beacon Group Energy Investment Fund LP ("Beacon"). Also in January 1996, the Company signed an agreement to sell its Thermogas Iowa propane and liquid fertilizer assets, as well as its remaining liquid fertilizer assets in Arkansas, Illinois, Indiana, Minnesota, Ohio and Wisconsin, to CENEX Inc. (see Note 16).

For financial reporting purposes, the assets and liabilities attributable to these two pending transactions have been classified in the consolidated balance sheet as Net Assets Held for Sale and consist of the following at December 31, 1995 (in millions):

	Coal	Thermogas	Total
Current Assets	$68.0	$14.4	$82.4
Property, Plant and Equipment, net	184.9	10.0	194.9
Other Assets	26.5	.1	26.6
Total assets	279.4	24.5	303.9
Current Liabilities	33.6	1.1	34.7
Other Liabilities	20.9	—	20.9
Total liabilities	54.5	1.1	55.6
Net assets	$224.9	$23.4	$248.3

Unbilled Costs

HARMON INDUSTRIES, INC. (DEC)

(Dollars in thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$ —	$ 250
Trade receivables, less allowance for doubtful accounts of $362 in 1995 and $360 in 1994	25,317	21,457
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 2)	4,053	1,321
Inventories:		
Work in process	4,583	5,763
Raw materials and supplies	21,262	11,955
	25,845	17,718
Income tax receivable	434	667
Deferred tax asset	584	586
Prepaid expenses and other current assets	608	731
Total current assets	$56,841	$42,730

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Contracts in Progress

Contract costs on uncompleted contracts are as follows:

(Dollars in thousands)	Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings	Total
December 31, 1995:			
Costs and estimated earnings	$25,234	$28,541	$53,775
Billings	21,181	29,820	51,001
	$ 4,053	$(1,279)	$ 2,774
December 31, 1994:			
Costs and estimated earnings	$11,820	$34,666	$46,486
Billings	10,499	36,086	46,585
	$ 1,321	$(1,420)	$ (99)

Balances billed, but not paid by customers under retainage provisions in contracts amounted to $1,146,000 and $342,000 at December 31, 1995 and 1994. Unbilled amounts representing claims subject to uncertainty concerning their ultimate realization amounted to $1,000,000 at December 31, 1995. All receivables on contracts in progress are considered to be collectible within twelve months.

UNC INCORPORATED (DEC)

(Dollars in thousands)	1995	1994
Current assets		
Cash	$ 1,671	$ 2,619
Accounts receivable, less allowance for doubtful accounts of $3,186 and $3,706, respectively	102,462	89,279
Unbilled costs and accrued profits on contracts in progress	11,128	14,097
Inventories	91,130	85,110
Assets held for sale	5,099	49,174
Other	10,156	8,168
Total current assets	$221,646	$248,447

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Contracts in Progress

Unbilled costs and accrued profits on production contracts in progress consist of the following:

	December 31,	
(Dollars in thousands)	1995	1994
U.S. government contracts and subcontracts:		
Costs incurred and accrued profits on contracts in progress	$26,516	$14,192
Less progress billings to date	21,674	7,389
Unbilled costs and accrued profits on contracts in progress	4,842	6,803
Commercial contracts:		
Costs incurred and accrued profits on contracts in progress	6,286	7,294
Total unbilled costs and accrued profits on contracts in progress	$11,128	$14,097

Amounts billed under contracts in progress and included in accounts receivable at December 31, 1995 were $3.1 million under U.S. government prime and subcontracts and $2.4 million under commercial contracts. At December 31, 1994 these amounts were $3.1 million and $2.2 million, respectively.

Also, included in accounts receivable at December 31, 1995 and 1994 were other amounts due from the U.S. government totaling $37.7 million and $42.2 million, respectively, including unbilled amounts of $14.9 million and $18.3 million in 1995 and 1994, respectively.

Unbilled amounts are recoverable from the customer upon shipment of the product, presentation of bills or completion of the contract. The Company believes that a substantial portion (approximately 80%) of these unbilled amounts will be collected in 1996.

Broadcast Rights

TRIBUNE COMPANY (DEC)

(In thousands of dollars)	1995	1994
Current Assets		
Cash and short-term investments	$ 22,899	$ 21,824
Accounts receivable (less allowances of $30,154 and $33,998)	296,363	313,316
Inventories	45,348	33,488
Broadcast rights	163,339	155,754
Prepaid expenses and other	17,651	19,162
Total current assets	$545,600	$543,544

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Broadcast Rights. Broadcast rights consist principally of rights to broadcast syndicated programs, sports and feature films and are stated at the lower of cost or estimated net realizable value. The total cost of these rights is recorded as an asset and a liability when the program becomes available for broadcast. Broadcast rights that have limited showings are generally amortized using an accelerated method as programs are aired. Those with unlimited showings are amortized on a straight-line basis over the contract period. The current portion of broadcast rights represents those rights available for broadcast that are expected to be amortized in the succeeding year.

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

	1995	1994	1993	1992
Land	370	372	373	367
Land and improvements	134	126	127	128
Land and buildings	41	38	36	37
Land combined with other identified assets	5	5	9	17
No caption with term land	23	28	25	21
	573	569	570	570
Lines of business classification	27	31	30	30
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1995	1994	1993	1992
Buildings				
Buildings	254	259	261	253
Buildings and improvement	212	209	209	210
Buildings and land or equipment	74	69	61	74
Buildings combined with other identified assets	11	6	11	5
No caption with term buildings	17	24	25	25
	568	567	567	567
Lines of business classification	32	33	33	33
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or equipment	453	451	454	454
Machinery and/or equipment combined with other assets	100	98	94	90
Construction in progress	262	253	253	254
Leasehold improvements	104	107	107	103
Leased assets	69	57	73	71
Automobiles, marine equipment, etc.	66	65	72	64
Furniture and fixtures	43	44	43	48
Assets leased to others	16	15	17	14

TABLE 2-14: ACCUMULATED DEPRECIATION

	1995	1994	1993	1992
Accumulated depreciation	325	320	311	303
Accumulated depreciation and amortization	171	170	170	180
Accumulated depreciation, amortization and depletion	33	32	33	30
Accumulated depreciation and depletion	8	10	12	16
Allowance for depreciation	35	40	42	38
Allowance for depreciation and amortization	14	15	17	20
Other captions	14	13	15	13
Total Companies	**600**	**600**	**600**	**600**

ANTHONY INDUSTRIES, INC. (DEC)

(Dollars in thousands)	1995	1994
Total current assets	$300,455	$226,474
Property, Plant and Equipment		
Land and land improvements	1,704	1,426
Buildings and leasehold improvements	28,963	26,161
Machinery and equipment	103,434	91,294
Construction in progress	5,605	3,851
	139,706	122,732
Less allowance for depreciation and amortization	82,599	73,640
	57,107	49,092
Other Assets		
Intangibles, principally goodwill, net	14,108	12,197
Net assets of discontinued operations	8,650	10,207
Other	4,103	3,566
Total assets	$384,423	$301,536

NOTES TO CONSOLIDATED 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 provided on the straight-line method based upon the estimated useful lives of the assets. Repairs and maintenance of $7,270,000, $6,020,000 and $5,438,000 in 1995, 1994 and 1993, respectively, were expensed as incurred.

BOISE CASCADE CORPORATION (DEC)

	1995	1994
	(expressed in thousands)	
Property (Note 1)		
Property and equipment		
Land and land improvements	$ 39,482	$ 37,775
Buildings and improvements	459,897	439,936
Machinery and equipment	4,271,306	4,078,302
	4,770,685	4,556,013
Accumulated depreciation	(2,166,487)	(2,062,106)
	2,604,198	2,493,907
Timber, timberlands, and timber deposits	383,394	397,721
	2,987,592	2,891,628
Investments in equity affiliates	25,803	204,498
Other assets	329,623	279,687

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property. Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and the net amount of interest cost associated with significant capital additions. Capitalized interest was $1,884,000 in 1995, $1,630,000 in 1994, and $1,118,000 in 1993. Substantially all of the Company's paper and wood products manufacturing facilities determine depreciation by the units-of-production method, and other operations use the straight-line method. Gains and losses from sales and retirements are included in income as they occur except at certain pulp and paper mills that use composite depreciation methods. At those facilities, gains and losses are included in accumulated depreciation. Estimated service lives of principal items of property and equipment range from 3 to 40 years.

Cost of company timber harvested and amortization of logging roads are determined on the basis of the annual amount of timber cut in relation to the total amount of recoverable timber. Timber and timberlands are stated at cost, less the accumulated total of timber previously harvested.

A portion of the Company's wood requirements are acquired from public and private sources. Except for deposits required pursuant to wood supply contracts, no amounts are recorded until such time as the Company becomes liable for the timber. At December 31, 1995, based on average prices at the time, the unrecorded amount of those contracts was estimated to be approximately $174,000,000.

CAMPBELL SOUP COMPANY (JUL)

(millions)	1995	1994
Total current assets	$1,581	$1,601
Plant assets, net of depreciation (Note 14)	2,584	2,401
Intangible assets, net of amortization	1,715	582
Other assets	435	408
Total assets	$6,315	$4,992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (million dollars)

1 (In Part): Summary of Significant Accounting Policies

Plant Assets - Plant assets are stated at historical cost. Alterations and major overhauls which extend the lives or increase the capacity of plant assets are capitalized. The amounts for property disposals are removed from plant asset and accumulated depreciation accounts and any resultant gain or loss is included in earnings. Ordinary repairs and maintenance are charged to operating costs.

Depreciation - Depreciation provided in costs and expenses is calculated using the straight-line method. Buildings and machinery and equipment are depreciated over periods not exceeding 45 years and 15 years, respectively. Accelerated methods of depreciation are used for income tax purposes in certain jurisdictions.

14. Plant Assets

	1995	1994
Land	$ 101	$ 110
Buildings	1,182	1,092
Machinery and equipment	2,734	2,461
Projects in progress	237	185
	4,254	3,848
Accumulated depreciation	(1,670)	(1,447)
	$2,584	$2,401

Depreciation provided in costs and expenses was $261 in 1995, $237 in 1994 and $223 in 1993. Approximately $220 of capital expenditures are required to complete projects in progress at July 30, 1995.

DAYTON HUDSON CORPORATION (JAN)

(Millions of Dollars)	1996	1995
Total Current Assets	$4,955	$4,959
Property and Equipment		
Land	1,496	1,251
Buildings and improvements	5,812	5,208
Fixtures and equipment	2,482	2,257
Construction-in-progress	434	293
Accumulated depreciation	(2,930)	(2,624)
Property and Equipment, net	7,294	6,385
Other	321	353
Total Assets	$12,570	$11,697

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives. Buildings and improvements are depreciated over eight to 55 years. Furniture and fixtures are depreciated over three to eight years. Accelerated depreciation methods are generally used for income tax purposes.

In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 prescribes the accounting treatment for long-lived assets, identifiable intangibles and goodwill related to those assets when there are indications that the carrying values of those assets may not be recoverable. Management believes that the adoption of SFAS No. 121 in 1996 will not have a material adverse effect on the Corporation's results of operations or its financial condition taken as a whole.

ELCOR CORPORATION (JUN)

($ In thousands)	1995	1994
Total current assets	$53,409	$61,177
Property, Plant and Equipment, at Cost		
Land	2,155	2,155
Buildings	9,385	8,792
Machinery and equipment	58,236	57,013
Construction in progress	53,693	13,367
	123,469	81,327
Less - Accumulated depreciation	(53,923)	(50,550)
Property, plant and equipment, net	69,546	30,777
Investments	—	5,378
Net Assets of Discontinued Operations - Noncurrent	7,175	7,230
Other Assets	7,003	3,671
	$137,133	$108,233

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. The cost and accumulated depreciation for property, plant and equipment sold, retired, or otherwise disposed of are relieved from the accounts, and resulting gains or losses are reflected in income. Preoperating and start-up costs incurred in connection with the construction of major new manufacturing facilities are capitalized until such facilities become operational. These costs are then amortized over a five-year period. Preoperating and start-up costs are included in Other Assets.

Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. In 1995, $326,000 of interest cost was capitalized. No interest was capitalized in 1994 or 1993.

TESORO PETROLEUM CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Total Current Assets	$182,464	$182,108
Property, Plant and Equipment		
Refining and marketing	322,023	309,925
Exploration and production, full cost method of accounting:		
Properties being amortized	119,836	131,930
Properties not yet evaluated	5,118	3,758
Gas transportation	6,703	6,543
Marine services	12,757	14,689
Corporate	12,443	12,271
	478,880	479,116
Less accumulated depreciation, depletion and amortization	217,191	205,782
Net Property, Plant and Equipment	261,689	273,334
Receivable From Tennessee Gas Pipeline Company	50,680	-
Other Assets	24,320	28,918
Total Assets	$519,153	484,360

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part) Summary of Significant Accounting Policies

Property, Plant and Equipment

The annual provisions for depreciation on the Company's property, plant and equipment have been computed in accordance with the following ranges of rates:

Refining and Marketing	3 years to 33 years
Exploration and Production	3 years to 25 years
Marine Services	3 years to 45 years
Corporate	3 years to 20 years

The company uses the full-cost method of accounting for oil and gas properties. Under this method, all costs associated with property acquisition and exploration and development activities are capitalized into cost centers that are established on a country-by-country basis. For each cost center, the capitalized costs are subject to a limitation so as not to exceed the present value of future net revenues from estimated production of proved oil and gas reserves net of income tax effect plus the lower of cost or estimated fair value of unproved properties included in the cost center. Capitalized costs within a cost center, together with estimates of costs for future development, dismantlement and abandonment, are amortized on a unit-of-production method using the proved oil and gas reserves for each cost center. The Company's investment in certain oil and gas properties is excluded from the amortization base until the properties are evaluated. Gain or loss is recognized only on the sale of oil and gas properties involving significant reserves. Proceeds from the sale of insignificant reserves and undeveloped properties are applied to reduce the costs in the cost centers.

Assets recorded under capital leases have been capitalized in accordance with promulgations from the Financial Accounting Standards Board. Amortization of such assets is recorded over the shorter of lease terms or useful lives under methods that are consistent with the Company's depreciation policy for owned assets.

Depreciation of other property is provided using primarily the straight-line method with rates based on the estimated useful lives of the properties and with an estimated salvage value of generally 20% for refinery assets and 10% for other assets. Amortization of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less.

UNITED STATES SURGICAL CORPORATION (DEC)

In thousands	1995	1994
Total Current Assets	$ 506,900	$ 439,500
Property, plant, and equipment (net)	504,900	540,000
Other assets (net)	253,700	124,000
Total Assets	$1,265,500	$1,103,500

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant, and Equipment. Depreciation and amortization is provided using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Molds and dies	2 to 7
Machinery and equipment	3 to 10
Leasehold improvements	3 to 30

The Company capitalizes interest incurred on funds used to construct property, plant, and equipment. Interest capitalized during 1995, 1994 and 1993 was immaterial.

Note D—Property, Plant, and Equipment

At December 31, 1995 and 1994, Property, plant and equipment (at cost) was comprised of the following items:

In thousands	1995	1994
Land	$ 27,500	$ 23,800
Buildings	170,500	149,600
Molds and dies	92,200	100,500
Machinery and equipment	309,200	321,700
Leasehold improvements	153,700	155,500
	753,100	751,100
Less allowance for depreciation and amortization	(248,200)	(211,100)
	$504,900	$540,000

Property, plant, and equipment includes land and buildings in Elancourt, France with a net book value at December 31, 1995 and 1994 of $82 million and $70 million, respectively. During 1995 the Company took out of service and removed from its balance sheet property, plant, and equipment which had an original cost of $27 million and was fully depreciated.

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. *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* applies to entities having total assets of $150 million or more and, effective for fiscal years ending after December 15, 1995, to entities having total assets of less than $150 million.

137 survey companies made 176 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 15 references stating that it was not practicable to estimate fair value; 32 references stating that fair value, estimating bases not disclosed, approximated carrying amount; 26 references stating that fair value, based on market quotes, approximated carrying amount; 61 references stating that fair value was based on market quotes; and 36 references stating 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			
	1995	**1994**	**1993**	**1992**
Equity	253	252	242	238
Cost	101	86	85	101
Fair value	67	53	10	—
Lower of cost or market	4	9	27	23

Equity Method

ECOLAB INC. (DEC)

Consolidated Balance Sheet

(thousands)	1995	1994	1993
Current Assets	$358,072	$401,179	$311,051
Property, Plant and Equipment, Net	292,937	246,191	219,268
Investment in Henkel-Ecolab Joint Venture	302,298	284,570	255,804
Other Assets	107,573	88,416	105,607
Total Assets	$1,060,880	$1,020,356	$891,730

Consolidated Statement of Income

(thousands)	1995	1994	1993
Net Sales	$1,340,881	$1,207,614	$1,102,396
Cost of Sales	603,167	533,143	491,306
Selling, General and Administrative Expenses	575,028	529,507	481,639
Merger Costs and Expenses		8,000	
Operating Income	162,686	136,964	129,451
Interest Expense, Net	11,505	12,909	21,384
Income Before Income Taxes and Equity in Earnings of Joint Venture	151,181	124,055	108,067
Provision for Income Taxes	59,694	50,444	33,422
Equity in Earnings of Henkel-Ecolab Joint Venture	7,702	10,951	8,127
Income Before Extraordinary Loss and Cumulative Effect of Change in Accounting	99,189	84,562	82,772

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and all majority-owned subsidiaries. The company accounts for its investment in the Henkel-Ecolab joint venture under the equity method of accounting. International subsidiaries and the Henkel-Ecolab joint venture are included in the financial statements on the basis of their November 30 fiscal year ends.

6. Henkel-Ecolab Joint Venture

The company and Henkel KGaA, Düsseldorf, Germany, each own 50 percent of Henkel-Ecolab, a joint venture of their respective European institutional and industrial cleaning and sanitizing businesses. The joint venture's operations and the company's equity in earnings of the joint venture included:

(thousands)	1995	1994	1993
Joint venture			
Net sales	$909,196	$776,647	$758,471
Gross profit	502,849	440,993	415,862
Income before income taxes	44,392	48,389	40,337
Income before change in accounting for income taxes	22,406	26,109	18,434
Ecolab equity in earnings			
Ecolab equity in income	$11,203	$13,605	$9,856
Ecolab royalty income from joint venture, net of income taxes	5,814	5,745	6,653
Amortization expense for the excess of cost over the underlying net assets of the joint venture	(9,315)	(8,399)	(8,382)
Equity in earnings of Henkel-Ecolab joint venture	7,702	10,951	8,127

The company's investment in the Henkel-Ecolab joint venture includes the unamortized excess of the company's investment over its equity in the joint venture's net assets. This excess was $192 million at December 31, 1995, and is being amortized on a straight-line basis over estimated economic useful lives of up to 30 years.

Condensed balance sheet information for the Henkel-Ecolab joint venture was:

December 31 (thousands)	1995	1994	1993
Current assets	$393,391	$360,648	$310,945
Noncurrent assets	145,722	127,244	106,812
Current liabilities	247,980	233,876	215,085
Noncurrent liabilities	71,119	59,710	46,937

SAFEWAY INC. (DEC)

Consolidated Balance Sheets

(In millions)	1995	1994
Total property, net	$2,592.9	$2,506.4
Goodwill, net of accumulated amortization of $106.3 and $95.0	323.8	331.1
Prepaid pension costs	322.4	319.6
Investments in unconsolidated affiliates	336.0	329.3
Other assets	104.4	98.1

Consolidated Statements of Income

(In millions)	1995	1994	1993
Sales	$16,397.5	$15,626.6	$15,214.5
Cost of goods sold	(11,943.7)	(11,376.6)	(11,131.1)
Gross profit	4,453.8	4,250.0	4,083.4
Operating and administrative expense	(3,726.4)	(3,637.9)	(3,641.9)
Operating profit	727.4	612.1	441.5
Interest expense	(199.8)	(221.7)	(265.5)
Equity in earnings of unconsolidated affiliates	26.9	27.3	33.5
Other income, net	2.0	6.4	6.8
Income before income taxes and extraordinary loss	556.5	424.1	216.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include Safeway, Inc., a Delaware corporation, and all majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments in affiliates which are not majority owned are reported using the equity method.

Note H: Investments in Affiliates

Investments in affiliates consists of a 35% interest in Vons, which operates 329 grocery stores located mostly in southern California, and a 49% interest in Casa Ley, which operates 71 food and general merchandise stores in western Mexico.

At year-end 1995, the Company owned 15.1 million common shares, or 35% of total Vons shares outstanding. The Company's recorded investment in Vons was $255.2 million (including goodwill of $45.6 million) at year-end 1995 and $236.9 million (including goodwill of $46.9 million) at year-end 1994.

Goodwill is being amortized over 40 years. At year-end 1995, the aggregate market value quoted on the New York Stock Exchange of Safeway's shares of Vons stock was $427.3 million.

Safeway's equity in Vons' net income, recorded on a one-quarter delay basis, was $18.3 million in 1995, $11.6 million in 1994 and $12.9 million in 1993. Vons reported restructuring charges which decreased Safeway's equity in Vons' earnings by $3.9 million in 1994 and $11.7 million in 1993. According to Vons, these restructuring charges included anticipated expenses associated with a program to close underperforming stores and reduce its work force.

Summarized financial information derived from Vons' financial reports to the Securities and Exchange Commission was as follows (in millions):

	Oct 8, 1995	Oct 9, 1994
Financial Position:		
Current assets	$ 463.3	$ 445.5
Property and equipment	1,189.3	1,224.1
Other assets	545.3	557.8
Total assets	$2,170.9	$2,227.4
Current liabilities	$ 573.6	$ 535.3
Long-term obligations	995.8	1,148.7
Shareholders' equity	601.5	543.4
Total liabilities and shareholders' equity	$2,170.9	$2,227.4

	52 Weeks Ended Oct 8, 1995	52 Weeks Ended Oct 9, 1994	53 Weeks Ended Oct 10, 1993
Results of Operations:			
Sales	$5,023.5	$4,990.9	$5,263.6
Cost of sales and other expenses	(4,967.4)	(4,954.5)	(5,221.9)
Income before extraordinary item	56.1	36.4	41.7
Extraordinary item	—	—	(1.5)
Net income	$ 56.1	$ 36.4	$ 40.2

In 1995, Safeway's share of Casa Ley's earnings was $8.6 million compared to $15.7 million in 1994 and $20.6 million in 1993. Since the December 1994 devaluation of the peso, Mexico has experienced economic difficulties, including very high interest rates. Interest rates and inflation have moderated in recent months, and Casa Ley's financial results have gradually improved. Worsening of the economic situation in Mexico could have an effect on Casa Ley. However, any such effect is not expected to be material to Safeway's operating results.

Casa Ley had total assets of $276.9 million and $448.4 million as of September 30, 1995 and 1994 based on financial information provided by Casa Ley. Sales and net income for Casa Ley were as follows (in millions):

	12 months ended September 30, 1995	1994	1993
Sales	$861.4	$1,052.4	$925.8
Net income	$ 17.9	$ 32.0	$ 39.5

SPS TECHNOLOGIES, INC. (DEC)

Consolidated Balance Sheets

(Thousands of dollars)	1995	1994
Total current assets	$179,338	$159,351
Investments in affiliates	4,516	14,841
Property, plant and equipment, net	112,738	88,764
Other assets	25,495	26,290
Total assets	$322,087	$289,246

Statements of Consolidated Operations

(Thousands of dollars)	1995	1994	1993
Net sales	$409,814	$348,905	$319,094
Cost of goods sold	334,160	292,580	269,207
Gross Profit	75,654	56,325	49,887
Selling, general and administrative expense	49,644	44,847	46,574
Restructuring charge, net		3,500	32,400
Operating Earnings (Loss)	26,010	7,978	(29,087)
Other income (expense):			
Interest income	520	440	472
Interest expense	(6,483)	(6,924)	(5,906)
Equity in earnings of affiliates	1,701	1,726	563
Other, net	(473)	2,900	363
	(4,735)	(1,858)	(4,508)
Earnings (Loss) Before Income Taxes	21,275	6,120	(33,595)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of dollars)

1 (In Part): Significant Accounting Policies

Consolidation

The Consolidated financial statements include accounts of the Company and all subsidiaries. Investments in affiliates, owned more than 20 percent but not in excess of 50 percent, are recorded on the equity method.

6. Investments in Affiliates

At December 31, 1995, the Company's investments in affiliates consist of a 22.05 percent interest in Precision Fasteners Limited, Bombay, India, a 50 percent interest in Unbrako Products Pte. Ltd., Singapore, and a 50 percent interest in National-Arnold Magnetics Company, Adelanto, California, United States. In 1995, the Company acquired controlling interests in Metalac and Unbrako K.K. (See Note 2). Prior to the 1995 acquisition dates, the Company had a 50 percent or less interest in these companies and, accordingly, classified these investments as affiliates and accounted for them using the equity method of accounting.

Dividends received from affiliates were $387, $196 and $42 in 1995, 1994 and 1993, respectively. Retained earnings in 1995, 1994 and 1993 included undistributed earnings of affiliates, net of deferred taxes, of $3,369, $7,493 and $6,253, respectively. At December 31, 1995, the Company has guaranteed the payment of $1,311 of the affiliates' indebtedness.

In 1994 Precision Fasteners Limited executed a public issue of its stock whereby it issued 4.8 million shares of $1.59 per share and generated proceeds of approximately $6,900, net of related expenses. The Company elected not to subscribe to the affiliate's public issue which reduced its percentage ownership from 36.75 percent in 1993 to 22.05 percent in 1994. The gain on this transaction was offset by a write down of the Company's proportionate share of the affiliate's cumulative translation adjustment account. At December 31, 1995, the market value of the affiliate's stock of $6,600 exceeded the carrying value of the Company's investment by approximately $2,300.

The table below contains the summarized financial information of unconsolidated affiliates. The operations of Metalac and Unbrako K.K. are included in the table up to the date the Company acquired a controlling interest.

Condensed Statements of Earnings

	1995	1994	1993
Net sales	$48,256	$59,314	$53,185
Gross profit	16,035	21,651	18,649
Operating earnings	6,955	7,863	2,607
Net earnings	5,428	4,658	1,027

Condensed Balance Sheets

	1995	1994	1993
Current assets	$21,414	$33,744	$25,653
Noncurrent assets	15,139	23,931	23,888
	$36,553	$57,675	$49,541
Current liabilities	$16,498	$17,660	$18,527
Noncurrent liabilities	3,034	3,661	4,530
Shareholders' equity	17,021	36,354	26,484
	$36,553	$57,675	$49,541

UNION CARBIDE CORPORATION (DEC)

Consolidated Balance Sheet

Millions of dollars	1995	1994
Total Current Assets	$2,196	$1,614
Property, plant and equipment	6,357	5,889
Less: Accumulated depreciation	3,549	3,347
Net Fixed Assets	2,808	2,542
Companies carried at equity	739	418
Other investments and advances	84	88
Total Investments and Advances	823	506
Other assets	429	366
Total Assets	$6,256	$5,028

Consolidated Statement of Income

Millions of dollars	1995	1994	1993
Net Sales	$5,888	$4,865	$4,640
Cost of sales, exclusive of depreciation and amortization	4,100	3,673	3,589
Research and development	144	136	139
Selling, administration and other expenses	387	290	340
Depreciation and amortization	306	274	276
Interest expense	89	80	70
Partnership income	152	98	67
Other expense (income) - net	(245)	39	66
Income Before Provision for Income Taxes	1,259	471	227
Provision for income taxes	380	137	78
Income of Consolidated Companies	879	334	149
Income from corporate investments carried at equity	46	55	16
Income Before Cumulative Effect of Change in Accounting Principle	925	389	165

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of all significant subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments in 20 percent- to 50 percent-owned companies and partnerships are carried at equity in net assets. Other investments are carried generally at cost.

9. Partnerships and Corporate Joint Ventures

The following are financial summaries of partnerships and 20 percent- to 50 percent-owned corporate investments carried at equity. The corporation's most significant partnerships include UOP, Petromont and Company Limited Partnership, Aspell Polymeres SNC, and World Ethanol Company, as well as a Union Carbide/Shell polypropylene partnership, the balance of which was acquired in January 1996 (see Note 5).

	Partnerships		
Millions of dollars	1995	1994	1993
Net sales([a])	$2,146	$1,616	$1,445
Cost of sales	1,312	954	863
Depreciation	66	51	50
Partnership income	283	229	199
UCC Share of Partnership Income	$ 152	$ 98	$ 67
Current assets	$ 599	$ 494	
Noncurrent assets	824	735	
Total assets	1,423	1,229	
Current liabilities	483	309	
Noncurrent liabilities	441	455	
Total liabilities	924	764	
Net assets	499	465	
UCC Equity	$ 243	$ 220	

a) Includes $177 million net sales to the corporation in 1995 ($209 million in 1994 and $175 million in 1993)

Corporate investments carried at equity include Polimeri Equopa S.r.l., Equate Petrochemical Company K.S.C., Nippon Unicar Company Limited, Alberta & Orient Glycol Company Limited and several smaller entities. See Note 5.

	20%-50% Corporate Investments		
Millions of dollars	1995	1994	1993
Net sales([a])	$1,731	$1,206	$1,144
Cost of sales	1,221	817	823
Depreciation	119	58	55
Net income	96	109	36
UCC Share of Net Income	$ 46	$ 55	$ 16
Current assets	$ 811	$ 622	
Noncurrent assets	1,886	920	
Total assets	2,697	1,542	
Current liabilities	713	457	
Noncurrent liabilities	922	676	
Total liabilities	1,635	1,133	
Net assets	1,062	409	
UCC Equity	$ 496	$ 198	

a) Includes $167 million net sales to the corporation in 1995 ($73 million in 1994 and $46 million in 1993).

Dividends and distributions received from partnerships and corporate joint ventures aggregated $97 million in 1995 ($128 million in 1994 and $92 million in 1993).

Cost

GOULDS PUMPS, INCORPORATED (DEC)

(Dollars in thousands)	1995	1994
Total current assets	$317,465	$256,051
Property, plant and equipment - net	173,304	152,789
Investment in Vogel	—	17,800
Investments in affiliates	1,207	1,178
Other investments	9,046	6,498
Deferred tax asset	8,834	8,125
Goodwill - net	29,858	1,656
Other assets	14,272	13,144
	$553,986	$457,241

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

6. Other Investments

Other investments are summarized below:

December 31	1995	1994
Insurance certificates		
Variable, $2,490 due 1998, $1,878 due 2003, $1,882 due 2008	$6,250	$6,498
Austrian bank certificates 7.29% weighted average, due 1996-2002	1,939	—
Italian government VAT bond 9.50% stated rate, due 1999	857	—
	$9,046	$6,498

The Company's management has the ability and intent to hold all of its other investments until maturity. All of the investments are stated at amortized cost.

12 (In Part): Financial Instruments and Derivative Financial Instruments

Fair Value of Financial Instruments. The carrying amounts and estimated fair values of the Company's financial instruments are summarized as follows:

December 31,	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Other investments	$ 9,046	$ 9,002	$ 6,498	$ 6,498
Liabilities:				
Short-term borrowings	37,904	37,904	10,418	10,418
Long-term debt	88,934	89,652	78,384	76,508

The methods and assumptions used to estimate the fair values of financial instruments are summarized as follows:

Other investments: The carrying value of the investments in insurance certificates approximates fair value since the certificates are redeemable at any time for carrying value, plus accrued interest. The fair value of the Austrian bank certificates was determined based on current market values for similar instruments with similar terms and remaining maturities. The Italian government VAT bond was estimated by discounting cash flows using rates currently available for instruments with similar terms and remaining maturities.

PHARMACIA & UPJOHN, INC. (DEC)

dollar amounts in thousands	1995	1994
Total current assets	$4,973,610	$4,804,693
Long-term investments	715,348	768,150
Goodwill and other intangible assets, net	7,722,157	1,795,430
Properties, net	3,393,225	3,074,466
Other noncurrent assets	656,261	504,389
Total assets	$11,460,601	$10,947,128

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in thousands

2 (In Summary): Summary of Significant Accounting Policies

Investments. In addition to cash equivalents, the company has investments in debt securities that are classified in the consolidated balance sheet as short-term (restricted bank deposits and securities that mature in more than 91 days but no more than one year) or long-term (maturities beyond one year). The company also has investments in equity securities, all of which are classified as long-term investments. All such investments are further categorized as being available-for-sale or are expected to be held-to-maturity. Investments categorized as available-for-sale are marked to market based on fluctuations in the market values of the securities, with the resulting adjustments, net of deferred taxes, reported as a component of other shareholders' equity until realized (see Note 17). Investments categorized as held-to-maturity are carried at amortized cost, without recognition of gains or losses that are deemed to be temporary, because the company has both the intent and the ability to hold these investments until they mature.

9. Investments

December 31	1995	1994
Short-term investments:		
Obligations of the Kingdom of Sweden	$426,471	$286,173
Restricted bank deposits	309,041	529,361
Bank certificates of deposit	82,687	122,500
Obligations of the Commonwealth of Puerto Rico	53,466	56,475
Obligations of the Government of Italy	—	62,939
Other	101,991	76,682
	$973,656	$1,134,130

Restricted bank deposits are held by banks that require such deposits be maintained in support of loans made to certain of the company's subsidiaries.

Long-term investments	Cost	Unrealized Gains	Unrealized Losses	Carrying Value
December 31, 1995:				
Available-for-sale (marked-to-market):				
Equity securities	$102,525	$37,297	$18	$139,804
Mortgage-backed securities guaranteed by the U.S. Government	239,756	8.092	—	247,848
	$342,281	$45,389	$18	387,652
Held-to-maturity (amortized cost)				327,696
				$715,348
December 31, 1994:				
Available-for-sale (marked-to-market)				
Equity securities	$141,546	$803	$21,291	$121,058
Held-to-maturity (amortized cost)				647,092
				$768,150

Long-term investments held-to-maturity are summarized as follows:

	1995		1994	
December 31	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Guaranteed by the U.S. Government	$ 91,578	$ 91,484	$308,992	$328,777
Obligations of the Commonwealth of Puerto Rico	90,383	88,612	90,961	93,028
Bank obligations:				
Certificates of deposit	89,489	87,600	157,256	160,287
Other	61,557	60,000	62,514	65,000
	$333,007	$327,696	$619,723	$647,092

At December 31, 1995, scheduled maturities of long-term securities to be held to maturity were as follows:

	Fair Value	Cost
One to five years	$196,863	$192,200
Six to ten years	100,031	99,727
After ten years	36,113	35,769
	$333,007	$327,696

Unrealized net gains (net of deferred taxes) included in other shareholders' equity amounted to $30,859 at December 31, 1995, compared to unrecognized losses (net of deferred taxes) of $14,597 at December 31, 1994.

At December 31, 1995, the company wrote down to fair market value certain equity security investments. The write-down amounted to $58,570 and was due to a decline in fair value considered to be other than temporary. The write down is included in marketing, administrative and other expense.

The proceeds realized from the sale of available-for-sale equity securities amounted to $9,108 and $5,445 during 1995 and 1994, respectively. Based on cost, gains of $4,204 and $2,982 were realized on these sales.

At December 31, 1995, mortgage-backed securities previously categorized as being held-to-maturity were recategorized as available-for-sale. Accordingly, this group of securities has been marked to market with the resulting adjustment reported with other shareholders' equity (see Note 17). Election of this option does not affect the classification of the balance of the securities in the portfolio as the company retains the intent and ability to hold those securities until they mature.

15. Fair value of financial instruments

The carrying amounts and estimated fair values of the company's financial instruments were as follows:

	1995	
December 31	Carrying Amount	Fair Value
Financial assets:		
Short-term investments	$973,656	$973,656
Long-term investments	715,348	720,659
Forward currency exchange contracts		
Designated hedges	27,929	27,929
Trading	27,451	27,451
Financial liabilities:		
Short-term debt	524,429	524,429
Long-term debt	603,108	618,499
Guaranteed ESOP debt	267,200	319,138

Because maturities are short-term, fair values approximate carrying amounts for cash and cash equivalents, short-term investments, accounts receivable, short-term debt, and accounts payable. Fair values of forward currency contracts, long-term investments, long-term debt, and guaranteed ESOP debt were estimated based on quoted market prices for the same or similar instruments or discounted cash flows.

Fair Value

BASSETT FURNITURE INDUSTRIES, INCORPORATED (NOV)

	1995	1994
Other Assets		
Investment in securities	$39,055,319	$43,638,983
Investment in affiliated companies....................	40,398,574	35,080,525
Other..........................	9,227,317	8,593,887
	88,681,210	87,313,395

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Investment in Securities

The Company classifies its investment in securities as available-for-sale, which are reported at fair value. The Company adopted the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (Statement 115) at December 1, 1993. Under Statement 115 unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from income and are reported as a separate component of stockholders' equity. Realized gains and losses from securities classified as available-for-sale are included in income and are determined using the specific identification method for ascertaining the cost of securities sold.

C. Investment in Securities

Information on investment in securities by major security type: (in millions)

	November 30, 1995			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Equity securities	$21.1	$8.4	$1.0	$28.5
Mutual funds	3.9	0.4	-0-	4.3
Municipal securities	5.1	-0-	-0-	5.1
Other	1.1	0.1	-0-	1.2
	$31.2	$8.9	$1.0	$39.1

	November 30, 1994			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Equity securities	$26.5	$6.6	$2.2	$30.9
Mutual funds	5.6	0.4	0.1	5.9
Municipal securities	5.0	-0-	0.1	4.9
Other	2.0	-0-	0.1	1.9
	$39.1	$7.0	$2.5	$43.6

Maturities of the municipal securities are within five years.

COOPER INDUSTRIES, INC. (DEC)

(in millions)	1995	1994
Total current assets	$2,127.3	$2,100.2
Net assets of discontinued operations	—	646.4
Property, plant and equipment, less accumulated depreciation	1,232.1	1,187.5
Intangibles, less accumulated amortization	2,226.0	2,153.9
Investments in marketable equity securities	406.2	158.4
Deferred income taxes and other assets	72.3	154.3
Total assets	$6,063.9	$6,400.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments in Marketable Equity Securities

Marketable equity securities received or retained in connection with the divestiture of businesses are reflected as available-for-sale securities and are stated at fair market value at each balance sheet date, with unrealized gains and losses, net of tax, reported as a component of shareholders' equity. The cost of securities sold is determined based on the specific identification method for purposes of recording realized gains and losses.

Note 6: Investments In Marketable Equity Securities

At December 31, 1994, Cooper's investment in marketable equity securities consisted of its investments in Belden and Wyman-Gordon and, at December 31, 1995, also includes its investment in Cooper Cameron Corporation ("Cooper Cameron"). In December 1995, Cooper issued DECS[SM] (Debt Exchangeable for Common Stock) which, at maturity, are mandatory exchangeable into shares of Wyman-Gordon common stock or, at Cooper's option, into cash in lieu of shares. The number of shares or the amount of cash will be based on the average market value of Wyman-Gordon common stock on the 20 trading days prior to maturity on January 1, 1999 (the "WGC Maturity Price"). If the WGC Maturity Price is greater than or equal to $15.66 per share, the DECS will be exchangeable at maturity into 14.2 million shares of Wyman-Gordon common stock. If the WGC Maturity Price is less than or equal to $13.50 per share, the DECS will be exchangeable at maturity into 16.5 million shares of Wyman-Gordon common stock. If the WGC Maturity Price is between $13.50 and $15.66 per share, the DECS will be exchangeable into a number of shares of Wyman-Gordon common stock between 14.2 million and 16.5 million, based on an exchange ratio. If the DECS are redeemed for cash, the amount of cash will be equal to the number of Wyman-Gordon shares exchangeable under the terms of the DECS times the WGC Maturity Price. The DECS are a hedge of Cooper's investment in Wyman-Gordon common stock and will result in Cooper realizing a minimum after tax gain of $100.6 million at maturity of the DECS. The unrealized gain is included in shareholders' equity as an unrealized gain on investments in marketable equity securities, net of tax, at December 31, 1995.

The aggregate fair value of the marketable equity securities was $406.2 million and $158.4 million at December 31, 1995 and 1994, respectively. Gross unrealized gains on investments in marketable equity securities were $257.6 million and $79.7 million at December 31, 1995 and 1994, respectively. During 1995, marketable equity securities were sold for proceeds of $14.4 million, resulting in realized gains of $11.7 million.

EG&G, INC.

(Dollars in thousands)	1995	1994
Total Current Assets	$468,686	$481,478
Property, Plant and Equipment:		
At Cost	417,566	364,801
Accumulated depreciation and amortization	(270,026)	(243,139)
Net Property, Plant and Equipment	147,540	121,662
Investments (Note 7)	16,072	16,515
Intangible Assets	123,421	127,312
Other Assets	48,196	46,162
Total Assets	$803,915	$793,129

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Investments

Investments as of December 31, 1995 and January 1,1995 consisted of the following:

(In thousands)	1995	1994
Marketable investments (Note 12)	$9,547	$14,187
Other investments	1,396	6,330
Joint venture investments	7,349	5,314
	18,292	25,831
Less investments classified as other current assets	(2,220)	(9,316)
	$16,072	$16,515

Marketable investments consisted of common stocks and trust assets which were primarily invested in money market funds, fixed income securities and common stocks to meet the supplemental executive retirement plan obligation. SFAS No. 115 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. The net unrealized holding gain, net of deferred income taxes, reported as a separate component of stockholders' equity, was $0.2 million at December 31, 1995, a $3.1 million decrease from the $3.3 million gain at January 1, 1995. In 1995, proceeds and, included in the results of operations, gross realized gains from sales of available-for-sale securities were $4.8 million and $3.7 million, respectively. Average cost was the basis for computing the realized gains.

Marketable investments classified as available for sale as of December 31, 1995 and January 1, 1995 consisted of the following:

(In thousands)	1995			
	Market Value	Cost	Gross Unrealized Gains	Holding (Losses)
Common stocks	$6,355	$6,144	$919	$(708)
Fixed income securities	2,789	2,694	95	—
Money market funds	261	261	—	—
Other	142	72	70	—
	$9,547	$9,171	$1,084	$(708)

(In thousands)	1994			
	Market Value	Cost	Gross Unrealized Gains	Holding (Losses)
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. As of December 31, 1995, the fixed income securities, on average, have maturities of approximately eight years.

Other investments consisted of nonmarketable investments in venture capital partnerships and private companies, 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 December 31, 1995 and January 1, 1995. The fair values of other investments were estimated based on the most recent rounds of financing and securities transactions and on other pertinent information, including financial condition and operating results. The Company wrote down certain investments by $2.5 million in 1995 and $4.5 million in 1994 to their estimated realizable value due to deterioration in the company/partnership's financial condition and the decision to liquidate the Company's position in investments no longer consistent with its strategic direction.

Marketable investments of $1.2 million and other investments of $1 million were classified as other current assets at December 31, 1995. Marketable investments of $8.3 million and other investments of $1 million were classified as other current assets as January 1, 1995.

Joint venture investments are accounted for using the equity method.

INTEL CORPORATION (DEC)

(In millions)	1995	1994
Property, plant and equipment, net	$7,471	$5,367
Long-term investments	1,653	2,127
Other assets	283	155

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Investments. Highly liquid investments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents. Investments with maturities greater than three months and less than one year are classified as short-term investments. Investments with maturities greater than one year are classified as long-term investments.

The Company accounts for investments in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective as of the beginning of fiscal 1994. The Company's policy is to protect the value of its investment portfolio and to minimize principle risk by earning returns based on current interest rates. All of the Company's marketable investments are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. The cost of securities sold is based on the specific identification method. Realized gains or losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income or expense. Investments in non-marketable instruments are recorded at the lower of cost or market and included in other assets.

Fair values of financial instruments. Fair values of cash and cash equivalents, short-term investments and short-term debt approximate cost due to the short period of time to maturity. Fair values of long-term investments, long-term debt, non-marketable instruments, swaps, currency forward contracts, currency options and options hedging non-marketable instruments are based on quoted market prices or pricing models using current market rates.

Investments

The stated return on a majority of the Company's marketable investments in long-term fixed rate debt and equity securities are swapped to U.S. dollar LIBOR-based returns. The currency risks of investments denominated in foreign currencies are hedged with foreign currency borrowings, currency forward contracts or currency interest rate swaps (see "Derivative financial instruments" under "Accounting policies").

Investments with maturities of greater than six months consist primarily of A and A2 or better rated financial instruments and counterparties. Investments with maturities of up to six months consist primarily of A1/P1 or better rated financial instruments and counterparties. Foreign government regulations imposed upon investment alternatives of foreign subsidiaries, or the absence of A and A2 rated counterparties in certain countries, result in some minor exceptions. Intel's practice is to obtain and secure available collateral from counterparties against obligations whenever Intel deems appropriate. At December 30, 1995, investments were placed with approximately 100 different counterparties.

Investments at December 30, 1995 were as follows:

(In millions)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Commercial paper	$576	$—	$—	$576
Repurchase agreements	474	—	—	474
Securities of foreign governments	456	1	(1)	456
Corporate bonds	375	5	—	380
Bank time deposits	360	—	—	360
Loan participations	278	—	—	278
Floating rate notes	224	—	—	224
Fixed rate notes	159	1	(1)	159
Collateralized mortgage obligations	129	—	(1)	128
Other debt securities	119	—	(1)	118
Total debt securities	3,150	7	(4)	3,153
Hedged equity	431	45	—	476
Preferred stock and other equity	309	91	(11)	389
Total equity securities	740	136	(11)	865
Swaps hedging investments in debt securities	—	2	(9)	(7)
Swaps hedging investments in equity securities	—	5	(47)	(42)
Currency forward contracts hedging investments in debt securities	—	3	—	3
Total available-for-sale securities	3,890	153	(71)	3,972
Less amounts classified as cash equivalents	(1,324)	—	—	(1,324)
Total investments	$2,566	$153	$(71)	$2,648

Investments at December 31, 1994 were as follows:

(In millions)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Commercial paper	$544	$ —	$ —	$544
Repurchase agreements	194	—	—	194
Securities of foreign governments	518	2	(7)	513
Corporate bonds	440	12	(14)	438
Bank time deposits	406	—	—	406
Loan participations	266	6	(2)	270
Fixed rate notes	167	1	(2)	166
Collateralized mortgage obligations	170	—	(4)	166
Floating rate notes	488	1	(1)	488
Other debt securities	293	—	(5)	288
Total debt securities	3,486	22	(35)	3,473
Hedged equity	431	—	(58)	373
Preferred stock and other equity	368	20	(16)	372
Total equity securities	799	20	(74)	745
Swaps hedging investments in debt securities	—	22	(14)	8
Swaps hedging investments in equity securities	—	60	—	60
Currency forward contracts hedging investments in debt securities	—	1	—	1
Total available-for-sale securities	4,285	125	(123)	4,287
Less amounts classified as cash equivalents	(930)	—	—	(930)
Total investments	$3,355	$125	$(123)	$3,357

Note: Certain 1994 amounts have been restated to conform to the 1995 presentation.

During the year ended December 30, 1995, debt and marketable securities with a fair value at the date of sale of $114 million were sold. The gross realized gains on such sales totaled $60 million. There were no material proceeds or gross realized gains or losses from sales of securities during 1994.

The amortized cost and estimated fair value of investments in debt securities at December 30, 1995, by contractual maturity, were as follows:

(In millions)	Cost	Estimated fair value
Due in 1 year or less	$2,172	$2,172
Due in 1-2 years	486	489
Due in 2-5 years	214	214
Due after 5 years	278	278
Total investments in debt securities	$3,150	$3,153

SCOPE INDUSTRIES (JUN)

	1995	1994
Other assets:		
Deferred charges and other assets	$ 423,266	$ 104,800
Investments (Note 3)	21,656,014	12,667,008
	22,078,280	12,771,808

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments

On July 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115 (SFAS 115), Accounting for Certain Investments in Debt and Equity Securities. SFAS 115 requires that investments in debt securities and marketable equity securities be designed as trading, held-to-maturity or available-for-sale. Trading securities are reported at fair value, with changes in fair value included in earnings. Available-for-sale securities are reported at fair value, with net unrealized gains and losses included as a separate component of shareowners' equity. Held-to-maturity debt securities are reported at amortized cost. In accordance with SFAS 115, prior period financial statements have not been restated to reflect the change in accounting principle. The cumulative effect as of July 1, 1994 of adopting SFAS 115 increased shareholders' equity by $5,730,365. There was no effect on net income. For all investment securities, unrealized losses that are other than temporary are recognized in earnings. Realized gains and losses are determined on the specific identification method and are reflected in earnings.

Note 3: Investments

Included in Investment and Other Income (Loss) are recognized gains and losses on marketable securities. Net gains of $132,698 and $1,619,311 were recognized in 1995 and 1994, respectively. Net losses of $9,828,379 were recognized in 1993. Gross recognized gains and gross recognized losses for 1995 were $178,710 and $46,012, respectively. Recognized gains and losses are from sales of investments and from recognized losses of $160,000 and $10,143,784 in 1994 and 1993, respectively, on securities whose decline in value was deemed to be other than temporary.

At June 30, 1995 investments were as follows:

	Non-current
Held-to-maturity securities (Cost $923,425; Fair value $883,475)	$ 923,425
Available-for-sale securities (Cost $12,224,934; Fair value $20,732,589)	20,732,589
	$21,656,014
Gross unrealized losses - Held-to-maturity securities	$ (39,950)
Gross unrealized gains - Available-for-sale securities	8,741,970
Gross unrealized losses - Available-for-sale securities	(234,315)

In accordance with SFAS 115, prior period financial statements have not been restated to reflect the change in accounting principle. The cumulative effect as of July 1, 1994 of adopting SFAS 115 increased shareholders' equity by $5,730,365. For the year ended June 30, 1995, net unrealized holding gains on investments increased by $2,777,290 to become $8,507,655. Shareowners' equity was increased by $8,507,655 at June 30, 1995; there was no effect on net income.

Certain fixed maturity investments, having an aggregate cost of $633,425 and a fair value of $612,976 at June 30, 1995 are held in trust by the State Treasurer of California as security for the Company's potential obligations as a self-insurer of its California Workers' Compensation liabilities.

A deposit held by a bank and evidenced by a certificate of deposit in the amount of $306,784 which matures in February 1996, has been pledged as collateral for potential Company obligations that a surety bond issuer has guaranteed.

No Amount Ascribed To Investment

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions and Investment in Affiliates

K&F Industries, Inc.: In September 1994, the Company exchanged the $30,000,000 14.75% pay-in-kind Subordinated Convertible Debenture due 2004 (the "Debenture") issued in 1989 by K&F Industries, Inc. ("K&F") in connection with the purchase by K&F of certain divisions of the Company. The Debenture was exchanged for $11,514,000 in cash, net of expenses, representing a non-recurring gain recorded as interest income, and a 22.5% voting equity interest in K&F. The Chairman of Loral is a principal shareholder of K&F and after the exchange owns approximately 27% of K&F. In addition, certain executive officers of Loral own rights to purchase approximately 4% of K&F's capital stock. In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 81, the Company had not recognized the value of the Debenture and has not ascribed any value to its 22.5% equity interest in K&F.

Fair Value Information

THE ALLEN GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation: The Company's consolidated financial statements include the accounts of all wholly owned and majority owned subsidiaries. Investments in companies in which ownership interests range from twenty to fifty 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. Intercompany accounts and transactions have been eliminated. To facilitate preparation of financial statements the Company's European operations are included in the consolidated financial statements on a two-month delayed basis.

Note 3 (In Part): Other Assets and Liabilities

Other assets consisted of the following (amounts in thousands):

	1995	1994
Capitalized computer software and database files	$12,645	$10,869
Deferred start-up and pre-operating costs	6,100	5,238
Investment in specialty rubber products business	4,344	4,344
Unliquidated assets of discontinued operations	3,282	2,227
Investment in telecommunication company, at cost	2,778	1,701
Prepaid pension costs	2,244	1,481
Other	8,924	7,411
	$40,317	$32,271

Note 10: 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.

Long-Term Investments: It is not practicable to estimate the fair value of the Company's 8% investment in the common stock of its former specialty rubber products business or its investment in a telecommunications company because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, management believes that the carrying amounts recorded at December 31, 1995 were not impaired and reflect the corresponding fair values. No dividends were paid on these investments.

Long-Term Debt: The fair values of the Company's long-term debt either approximate fair value or are 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: 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 market place. In addition, the Company entered into a foreign currency contract, in December 1995, to offset the impact of currency rate changes against certain assets and liabilities of its Canadian subsidiary. The fair value of such contract is based on quoted market prices of comparable contracts. The carrying amounts and fair values of the Company's financial instruments at December 31, 1995 and 1994 are as follows (amounts in thousands):

	Carrying Amount	Fair Value
1995		
Cash and cash equivalents	$15,706	$15,706
Non-current investments	7,122	7,122
Long-term debt	50,177	49,315
Off balance sheet financial instruments:		
Letters of credit	1,982	1,982
Foreign currency contract	4,469	4,472
1994		
Cash and cash equivalents	$55,240	$55,240
Investment securities:		
Non-current investment	6,045	6,045
Investment in Joint Venture	24,411	24,411
Long-term debt	46,054	46,054
Letters of credit	6,938	6,938

JOHNSON & JOHNSON (DEC)

(Dollars in Millions)	1995	1994
Total current assets	$7,938	$6,680
Marketable securities, non-current (Note 16)	338	354
Property, plant and equipment, net	5,196	4,910
Intangible assets, net	2,950	2,403
Deferred taxes on income	307	262
Other assets	1,144	1,059
Total assets	$17,873	$15,668

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Financial Instruments

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. The fair value of current and non-current marketable securities, long-term debt and foreign interest rate and currency swap agreements (used to hedge third party debt issues) were estimated based on quotes obtained from brokers for those or similar instruments. The fair value of foreign interest rate and currency contracts (used for hedging purposes) and long-term investments were estimated based on quoted market prices at year-end.

The estimated fair value of the Company's financial instruments are as follows:

	1995		1994	
(Dollars in Millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	$1,201	1,201	636	636
Marketable securities - current	163	164	68	68
Marketable securities - non-current	338	341	354	354
Long-term investments([1])	192	196	147	149
Long-term debt	2,223	2,345	2,460	2,387
Derivatives				
Other assets (liabilities):				
Currency swaps (net)	—	9	—	—
Forwards (net)	—	23	—	(11)
Forward rate agreements	—	5	—	5
Interest and currency swap agreements related to debt	(13)	28	5	(13)

([1])Included in other assets on the balance sheet.

The carrying amounts in the table are included in the statement of financial position under the indicated captions.

NEWELL CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Disclosures About Fair Value of Financial Instruments—The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Long-Term Investments—The fair value of the investment in convertible preferred stock of the Black & Decker Corporation ("Black & Decker") was based on an independent appraisal.

Long-Term Debt—The fair value of the Company's long-term debt issued under the medium-term note program is estimated based on quoted market prices, which approximate cost. All other significant long-term debt are floating rate instruments whose carrying amounts approximate fair value.

Other Long-Term Investments—The Company owns 150,000 shares of privately placed Black & Decker convertible preferred stock, Series B, purchased at a cost of $150.0 million. The Series B preferred shares pay a 7.75% cumulative dividend, are convertible into Black & Decker common stock at $23.62 per share, and have voting rights equivalent to the common stock into which they are convertible. These shares have restrictions on disposition by the Company, and Black & Decker has the option during the 90-day period beginning September 15, 2001 to repurchase the remaining preferred shares and any common stock issued upon conversion then held by the Company. The estimated fair value of this investment was $244.5 million at December 31, 1995.

The Company has a 49% ownership interest in American Tool Companies, Inc., a manufacturer of hand tools and power tool accessory products marketed primarily under the Vise-Grip and Irwin trademarks. This investment is accounted for on the equity method with a net investment of $39.2 million included in Other Long-Term investments at December 31, 1995.

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."

72 survey companies disclosed fair value information for 86 noncurrent receivables. 4 companies stated that it was not practicable to estimate fair value. 27 companies stated that fair value, basis for estimating not disclosed, approximated carrying amount. 11 companies stated that fair value was based on market quotes. 44 companies stated 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

	1995	1994	1993	1992
Caption Title				
Long-Term Receivables	33	30	35	30
Notes Receivable	26	29	33	30
Noncurrent Receivables	4	6	5	10
Other	36	33	27	26
Receivables combined with other investments, deposits, etc.	28	28	32	41
Total Presentations	**127**	**126**	**132**	**137**
Number of Companies				
Presenting noncurrent receivables	120	123	129	132
Not presenting noncurrent receivables	480	477	471	468
Total Companies	**600**	**600**	**600**	**600**

AULT INCORPORATED (MAY)

	1995	1994
Total current assets	$12,186,549	$8,858,939
Other Assets		
Other receivable, less allowance of $65,000 (Note 10)	196,677	—
Other	43,877	82,321
	240,554	82,321

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Other Receivable

At May 28, 1995, the Company has a receivable in the amount of $196,677, net of a $65,000 allowance, due from a customer for whom payment is delinquent. The Company has filed suit, and in the opinion of management and the Company's legal counsel, the risk of an unfavorable outcome is minimal. The receivable has been classified as a long-term asset since the Company is uncertain as to when the receivable will be collected.

FLEMING COMPANIES, INC. (DEC)

(In thousands)	1995	1994
Total current assets	$1,650,771	$1,820,081
Investments and notes receivable	271,763	402,603

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Receivables: Receivables include the current portion of customer notes receivable of $42 million in 1995 and $68 million in 1994. Receivables are shown net of allowance for credit losses of $35 million in 1995 and $40 million in 1994. The company extends credit to its retail customers located over a broad geographic base. Regional concentrations of credit risk are limited.

The company measures its estimates of impaired loans in accordance with Statement of Financial Accounting Standards ("SFAS") No. 114 - Accounting by Creditors for Impairment of a Loan, as amended by SFAS No. 118 - Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures. The 1995 adoption of SFAS No. 114 and No. 118 did not materially impact amounts previously reported. Interest income on impaired loans is recognized only when payments are received.

Investments and Notes Receivable

Investments and notes receivable consist of the following:

(In thousands)	1995	1994
Investments in and advances to customers	$129,956	$163,090
Notes receivable from customers	116,000	219,852
Other investments and receivables	25,807	19,661
Investments and notes receivable	$271,763	$402,603

The company extends long-term credit to certain retail customers. Loans are primarily collateralized by inventory and fixtures. Interest rates are above prime with terms up to 10 years. The carrying amount of notes receivable approximates fair value because of the variable interest rates charged on the notes.

The company's recorded investment in notes receivable with no related credit loss allowance is $233 million. Impaired notes, including current portion, total $28 million, with related allowances of $17 million. There were no impaired loans without allowances. The average recorded investment in impaired loans during 1995 was $30 million, with $1 million of related interest income recognized during the year.

Investments in and advances to customers are shown net of allowances of $14 million and $9 million in 1995 and 1994, respectively.

The company has sold certain notes receivable at face value with limited recourse. The outstanding balance at year-end 1995 on all notes sold is $95 million, of which the company is contingently liable for $15 million should all the notes become uncollectible.

ITT CORPORATION (DEC)

In millions	1995	1994
Total current assets	$1,143	$ 965
Plant, property and equipment, net	3,979	2,882
Investments	1,757	655
Goodwill, net	1,332	232
Long-term receivables, net	150	133
Other assets	331	145
	$8,692	$5,012

NOTES TO FINANCIAL STATEMENTS
Dollar Amounts are in Millions

Receivables

Current receivables of $784 and $498 at December 31, 1995 and 1994, including current maturities of notes receivable, are reported net of allowances for doubtful accounts of $106 and $55.

Long-term receivables of $150 and $133 at December 31, 1995 and 1994, are net of allowances for doubtful accounts of $98 and $78, exclude current maturities of $21 and $126 and approximate fair value.

HERMAN MILLER (MAY)

In Thousands	1995	1994
Net Property and Equipment	$270,184	$238,962
Notes Receivable, less allowances of $2,627 in 1995 and $2,159 in 1994	43,734	36,659
Other Assets	47,978	29,457

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting and Reporting Policies (In Part)

Notes Receivable. The notes receivable are from certain independent contract office furniture dealers. The notes are collateralized by the assets of the dealers and bear interest based on the prevailing prime rate. Interest income relating to these notes was $3.9, $2.7, and $2.3 million in 1995, 1994, and 1993, respectively.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," (SFAS No. 114), as amended by SFAS No. 118. The company is required to adopt these statements as of the beginning of fiscal 1996. These statements require that the recorded investment in certain impaired loans (as defined by the statements) be adjusted by means of a valuation allowance to reflect a net carrying value. When adopted, the provisions of SFAS No. 114 and SFAS No. 118 are not expected to have a material effect on the company's financial condition or results of operations.

Fair Value of Financial Instruments

The carrying amount of the company's financial instruments included in current assets and current liabilities approximate their fair value due to their short-term nature. The fair value of the notes receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of June 3, 1995, and May 28, 1994, the fair value of the notes receivable approximated the carrying value. The company intends to hold these notes to maturity and has recorded allowances to reflect the terms negotiated for carrying value purposes. The company's long-term debt reprices frequently at the then-prevailing market interest rates. As of June 3, 1995, and May 28, 1994, the carrying value approximated the fair value of the company's long-term debt.

SUPERVALU INC (FEB)

(In thousands)	1995	1994
Total current assets	$1,646,340	$1,563,313
Long-term notes receivable	73,094	66,568

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Fair value disclosures of financial instruments:
The estimated fair value of notes receivable approximates the net carrying value at February 25, 1995 and February 26, 1994. Notes receivable are valued based on comparisons to publicly traded debt instruments of similar credit quality.

Notes Receivable

Notes receivable arise from fixture and other financing related to independently owned retail food operations. Loans to independent retailers, as well as trade accounts receivable, are primarily collateralized by the retailers' inventory, equipment and fixtures. The notes range in length from 1 to 20 years with the average being 7 years, and may be non-interest bearing or bear interest at rates ranging primarily from 5 to 13 percent.

Included in current receivables are notes receivable due within one year totaling $11.6 and $10.9 million at February 25, 1995 and February 26, 1994, respectively.

The Financial Accounting Standards Board issued SFAS No. 114 - "Accounting by Creditors for Impairment of a Loan" during calendar 1994. This new standard must be adopted in fiscal 1996. The impact of this new standard, when adopted, is not expected to be material.

WINNEBAGO INDUSTRIES, INC. (AUG)

(dollars in thousands)	1995	1994
Property and equipment, net	$42,978	$41,598
Long-term notes receivable, less allowances ($950 and $2,024, respectively)	2,465	4,884
Investment in life insurance	15,942	15,479
Deferred income taxes, net	14,107	4,049
Intangible and other assets	15,234	4,851

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fair Value Disclosures of Financial Instruments: The estimated fair value of long term notes receivable approximates the net carrying value at August 26, 1995 and August 27, 1994, as management believes the respective interest rates are commensurate with the credit, interest rate and prepayment risks involved.

The estimated fair value of the Company's notes payable and long term debt as of August 26, 1995 and August 27, 1994 approximates the carrying value due to the revolving nature of the Company's notes payable and the recent issuance of the Company's debt obligations.

Note 7: Long-Term Notes Receivable

Long-term notes receivable of $2,465,000 and $4,884,000 at August 26, 1995 and August 27, 1994, respectively, are primarily collateralized by dealer inventories and real estate. The notes had weighted average interest rates of 8.1 percent per annum and 7.4 percent per annum at August 26, 1995 and August 27, 1994, respectively, and have various maturity dates ranging through June 2001.

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 1995, 27 survey companies disclosed an amount for intangible assets acquired prior to the effective date of *Opinion No. 17* and 82 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			
	1995	1994	1993	1992
Goodwill recognized in a business combination	402	395	385	383
Patents, patent rights	72	62	69	62
Trademarks, brand names, copyrights	57	52	51	50
Noncompete covenants	24	27	26	21
Licenses, franchises, memberships	24	19	19	17
Technology	14	15	15	13
Customer lists	15	13	9	13
Other—described	42	40	32	29

TABLE 2-18: AMORTIZATION PERIOD—1995

	Number of Companies						
	Goodwill	Patents	Trademarks	Noncompete	Licenses	Technology	Lists
Period							
40	150	2	12	1	2	1	—
"Not exceeding 40"	100	3	2	1	1	1	—
25-30	17	1	—	—	1	1	—
20	14	—	1	—	—	—	—
10-15	26	2	1	1	—	—	1
Legal/estimated life	46	41	24	10	12	5	9
Other	94	24	19	11	9	6	5

Goodwill

ANACOMP, INC. (SEP)

(In Thousands)	1995	1994
Total current assets	$175,193	$214,129
Property and equipment, at cost less accumulated depreciation and amortization of $96,898 and $100,574, respectively	44,983	66,769
Long-term receivables, net of current portion	12,322	16,383
Excess of purchase price over net assets of businesses acquired and other intangibles, net	160,315	279,607
Deferred tax asset, net of valuation allowance of $108,400 and $57,000, respectively	—	29,000
Other assets	28,216	52,751
	$421,029	$658,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill

Excess of purchase price over net assets of businesses acquired ("goodwill") is amortized on the straight-line method over the estimated periods of future demand for the product acquired. Goodwill related to magnetics' products of $5.4 million and $5.2 million, net of accumulated amortization of $575,334 and $132,375, at September 30, 1995 and 1994, respectively, is being amortized over 15 years. Goodwill related to the micrographics business which includes supplies, COM systems, micrographics services and maintenance services is primarily being amortized over 40 years. When factors indicate that goodwill should be evaluated for impairment, Anacomp historically has evaluated goodwill based on comparing the unamortized balance of goodwill to undiscounted operating income over the remaining goodwill amortization period. Effective June 30, 1995, Anacomp elected to modify its method of measuring goodwill impairment to a fair value approach. If it is determined that impairment has occurred, the excess of the unamortized goodwill over the fair value of the goodwill applicable to the business unit will be charged to operations. For purposes of determining fair value, the Company values the goodwill using a multiple of cash flow from operations based on consultation with its investment advisors. Anacomp has concluded that fair value is a better measurement of the value of goodwill considering the Company's highly leveraged financial position and the circumstances discussed in Note 4.

As discussed in Note 4, Anacomp has recently revised its projected operating results through 1999. This revision along with applying Anacomp's revised goodwill accounting policy resulted in a write-off of $108.0 million of goodwill related to the micrographics business for the year ended September 30, 1995. This write-off is re-

flected in "Special Charges" in the accompanying Consolidated Statement of Operations.

Other Intangibles

Other intangibles of $21.3 million and $25.2 million, net of accumulated amortization of $16.1 and $12.0 million, at September 30, 1995 and 1994, respectively, represent the purchase of the rights to provide microfilm or maintenance services to certain customers and are being amortized on a straight-line basis over 10 years. These unamortized costs are evaluated for impairment each period by determining their net realizable value.

Note 4. Goodwill:

Goodwill related to the micrographics business is summarized as follows (Dollars in thousands):

	September 30, 1995	1994
Goodwill	$315,561	$314,865
Less goodwill write-off	(108,000)	—
Less accumulated amortization	(73,988)	(65,698)
	$133,573	$249,167

The developments discussed in Notes 1, 2 and 3 have significantly constrained Anacomp's ability to finance certain previously projected activities. In addition, Anacomp has failed to achieve its original projections of fiscal 1995 operating results and has experienced lower than expected sales of new software products first introduced in January 1995. In light of Anacomp's withdrawn note offering, disappointing recent financial performance and default on its indebtedness, the Company prepared a revised business plan and operating forecast through 1999.

Based on these developments and in connection with the change in accounting discussed in Note 1, Anacomp determined that goodwill had been impaired and measured the impairment based on a fair value approach. As required by generally accepted accounting principles, this accounting change, which amounted to a charge of $108.0 million, was recorded as a change in estimate and was included in the results of operations for the quarter ended June 30, 1995.

ARVIN INDUSTRIES, INC. (DEC)

(Dollars in millions)	1995	1994
Goodwill, net of amortization of $31.3 in 1995 and $26.6 in 1994	$146.0	$150.4
Investment in affiliates	92.4	92.0
Assets of business transferred under contractual arrangements	72.4	—
Net assets of discontinued operations	—	68.3
Other assets	47.3	50.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Goodwill: Goodwill represents the excess of cost over the fair value of assets acquired and is amortized using the straight-line method over periods of generally 40 years. The Company assesses the recoverability of its goodwill whenever adverse events or changes in circumstances or business climate indicate that expected future cash flows (undiscounted and without interest charges) for individual business units may not be sufficient to support recorded goodwill. If undiscounted cash flows are not sufficient to support the recorded asset, an impairment is recognized to reduce the carrying value of the goodwill based on the expected discounted cash flows of the business unit. Expected cash flows are discounted at a rate commensurate with the risk involved.

DEAN FOODS COMPANY (MAY)

In thousands	1995	1994
Other Assets:		
Goodwill, net of amortization of $7,012 and $5,026, respectively	$69,640	$67,128
Other intangible assets, net of amortization of $3,157 and $1,750, respectively	28,380	38,303
Other	15,389	10,330
Total Other Assets	113,409	105,761

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Intangible Assets - Excess of cost over fair market value of net identifiable assets of acquired companies and other intangible assets are amortized on a straight-line basis over various periods between three years and a maximum of forty years. The carrying value of intangible assets is periodically reviewed by the Company based on the expected future undiscounted operating cash flows of the related business unit. Based upon its most recent analysis, the Company believes that no material impairment of intangible assets exists at May 28, 1995.

ETHYL CORPORATION (DEC)

(In Thousands of Dollars)	1995	1994
Total current assets	$388,512	$431,450
Property, plant and equipment, at cost	713,635	684,379
Less accumulated depreciation and amortization	(285,327)	(250,012)
Net property, plant and equipment	428,308	434,367
Other assets and deferred charges	151,833	144,856
Goodwill and other intangibles - net of amortization	15,134	19,742
Total assets	$983,787	$1,030,415

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Goodwill & Other Intangibles - Goodwill acquired prior to November 7, 1970 ($1,652,000) is not being amortized.

Goodwill acquired subsequently ($8,500,000 and $9,815,000 at December 31, 1995 and 1994, respectively, net of accumulated amortization) is being amortized on a straight-line basis, over a period of 10 years. Other intangibles ($4,982,000 and $8,275,000 at December 31, 1995 and 1994, respectively, net of accumulated amortization) are being amortized on a straight-line basis primarily over periods from three to seven years. Amortization of goodwill and other intangibles amounted to $4,504,000 for 1995, $9,379,000 for 1994 and $14,464,000 for 1993. Accumulated amortization of goodwill and other intangibles was $17,760,000 and $13,256,000 at the end of 1995 and 1994, respectively.

The Company re-evaluates goodwill and other intangibles based on fair values or undiscounted operating cash flows whenever significant events or changes occur which might impair recovery of recorded costs, and it writes down recorded costs of the assets to fair value when recorded costs, prior to impairment, are higher.

INGERSOLL-RAND COMPANY (DEC)

In millions	1995	1994
Intangible assets, net	$1,253.6	$124.5
Deferred income taxes	134.8	74.4
Other assets	233.7	171.2

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. Goodwill at December 31, 1995 and 1994, was $1.2 billion and $114 million, respectively. The carrying value of goodwill is evaluated periodically in relation to the operating performance and future undiscounted net cash flows to the related business. 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, 1995 and 1994, was $47.0 million and $26.5 million, respectively. Amortization of intangible assets was $25.3 million, $6.8 million and $5.9 million in 1995, 1994 and 1993, respectively.

NORTEK, INC. (DEC)

(Amounts in Thousands)	1995	1994
Other Assets:		
Goodwill, less accumulated amortization of $23,978 and $21,459	$91,347	$72,682
Deferred debt expense	7,574	8,502
Other	13,476	11,158
	112,397	92,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Goodwill

The Company has classified as goodwill the cost in excess of fair value of the net assets (including tax attributes) of companies acquired in purchase transactions. Goodwill is being amortized on a straight-line method over 40 years. Amortization charged to continuing operations amounted to $2,519,000, $2,407,000 and $2,418,000 for 1995, 1994 and 1993, respectively. At each balance sheet date, the Company evaluates the realizability of goodwill based on expectations of non-discounted cash flows and operating income for each subsidiary having a material goodwill balance. Based on its most recent analysis, the Company believes that no material impairment of goodwill exists at December 31, 1995.

OAK INDUSTRIES INC. (DEC)

Dollars in thousands	1995	1994
Other Assets:		
Deferred income taxes	$17,242	$31,750
Goodwill and other intangible assets, less accumulated amortization of $10,945 and $8,374	79,829	75,960
Investments in affiliates	20,940	10,985
Other assets	7,533	6,806
Total other assets	125,544	125,501

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part):

Intangible Assets
Goodwill and other intangibles, and the related amortization are as follows (dollars in thousands):

	Goodwill	Other Intangibles	Total
Balance, December 31, 1993	$69,297	$1,702	$70,999
Additions	7,397	99	7,496
Amortization	(2,169)	(366)	(2,535)
Balance, December 31, 1994	74,525	1,435	75,960
Additions	4,728	2,014	6,742
Amortization	(2,415)	(458)	(2,873)
Balance, December 31, 1995	$75,838	$2,991	$79,829

Goodwill represents the excess of the cost of acquired businesses over the fair market value of their net tangible and identified intangible assets. Goodwill is being amortized on the straight-line method over periods of 8 to 40 years. Other intangibles, predominantly patents, are stated at cost and amortized on the straight-line method over periods of 3 to 17 years. Goodwill and other intangibles are reassessed annually to determine whether any potential impairment exists.

Patents

AMETEK, INC. (DEC)

(Dollars in thousands)	1995	1994
Total current assets	$249,345	$256,978
Property, plant and equipment, net	176,838	164,285
Intangibles, investments and other assets	100,562	72,924
	$526,745	$494,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Intangible Assets
The excess of cost over net assets acquired (goodwill) is being amortized on a straight-line basis over periods of 20 to 30 years. The Company reviews the carrying value of goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Patents are being amortized on a straight-line basis over their estimated useful lives of 9 to 10 years. Other acquired intangibles are being amortized on a straight-line basis over their estimated useful lives of 5 to 30 years.

6 (In Part): Other Balance Sheet Information

(In thousands)	1995	1994
Intangibles, Investments And Other Assets		
Intangibles, at cost		
Patents	$20,993	$20,993
Goodwill	30,626	13,753
Other acquired intangibles	48,455	41,356
Less accumulated amortization	(54,818)	(46,674)
	45,256	29,428
Investments	35,806	22,594
Other	19,500	20,902
	$100,562	$72,924

Trademarks

FIRST BRANDS CORPORATION (JUN)

(In thousands)	1995	1994
Total current assets	$320,832	$290,885
Property, plant and equipment (net of accumulated depreciation of $88,447 and $87,584)	290,960	266,357
Patents, trademarks, proprietary technology and other intangibles (net of accumulated amortization of $170,584 and $193,429) (Notes 1 and 4)	202,322	232,666
Deferred charges and other assets (net of accumulated amortization of $50,214 and $48,479)	25,831	24,077
Total assets	$839,946	$813,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 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.

Note 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, 1995, 1994 and 1993 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, 1995 and 1994 consisted of:

(In thousands)	1995	1994	Useful Lives
Trademarks	$66,252	$96,227	40 years
Patents, proprietary technology and other intangibles	162,033	210,062	13-17 years
Excess of cost over net assets acquired	144,622	119,806	40 years
	372,907	426,095	
Less: Accumulated amortization	(170,584)	(193,429)	
	$202,323	$232,666	

Covenants Not To Compete

ROBBINS & MYERS, INC. (AUG)

(in thousands)	1995	1994
Total Current Assets	$109,832	$103,853
Goodwill	73,497	68,210
Other Intangible Assets	13,573	9,267
Deferred Taxes	4,522	7,802
Other Assets	4,378	6,836
Property, Plant and Equipment, Net	64,605	62,162
	$270,407	$258,130

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill and Other Intangible Assets

Goodwill is the excess of the purchase price paid over the value of net assets of business acquired. Amortization expense is calculated on a straight-line basis over forty years. The carrying value of goodwill is reviewed quarterly if the facts and circumstances suggest that it may be permanently impaired. If the review indicates that goodwill will not be recoverable, as determined by the undiscounted cash flow method, the asset will be reduced to its estimated recoverable value. Accumulated amortization of goodwill and other intangible assets totaled $3,904,000 and $1,176,000 at August 31, 1995 and 1994, respectively.

At August 31, "Other Intangible Assets" consisted of the following:

(in thousands)	1995	1994
Patents	$1,019	$1,098
Non-compete agreements	5,401	1,028
Financing costs	396	393
Acquisition costs	3,515	3,040
Pension intangible	3,242	3,708
	$13,573	$9,267

Amortization is calculated on the straight-line basis using the following lives:

Patents	14 to 17 years
Non-compete agreements	3 to 5 years
Financing costs	5 years
Acquisition costs	40 years

Licenses

AT&T CORP. (DEC)

Dollars in millions	1995	1994
Total current assets	$39,509	$37,611
Property, plant and equipment - net	22,264	21,279
Licensing costs, net of accumulated amortization of $743 and $613	8,056	4,251
Investments	3,885	2,708
Long-term finance receivables	5,389	4,513
Net investment in operating leases of finance subsidiaries	888	756
Prepaid pension costs	4,664	4,151
Other assets	4,229	3,993
Total assets	$88,884	$79,262

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions)

1 (In Part): Summary of Significant Accounting Policies

Licensing Costs

Licensing costs are costs incurred to develop or acquire cellular, personal communication services (PCS) and messaging licenses. Generally, amortization begins with the commencement of service to customers and is computed using the straight-line method over a period of 40 years.

7 (In Part): Supplementary Financial Information

Supplementary Income Statement Information

	1995	1994	1993
Included in costs			
Amortization of software production costs	$365	$370	$359
Amortization of licensing costs	133	115	108

Technology

MICRON TECHNOLOGY, INC. (AUG)

(Dollars in millions)	1995	1994
Total current assets	$1,274.1	$793.2
Product and process technology, net	41.6	48.2
Property, plant, and equipment, net	1,385.6	663.5
Other assets	73.6	24.8
Total assets	$2,774.9	$1,529.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Product and process technology: Costs related to the conceptual formulation and design of products and processes are expensed as research and development. Costs incurred to establish patents and acquire product and process technology are capitalized. Capitalized costs are amortized on the units-of-production method and on the straight-line method over the shorter of the estimated useful life of the technology, the patent term, or the agreement, ranging up to 10 years.

Product and Process Technology

Amortization of capitalized product and process technology costs charged to operations was $10,3 million 1995; $40.9 million in 1994; and $26.2 million in 1993. Accumulated amortization was $110.7 million and $100.4 million as of August 31, 1995, and September 1, 1994, respectively.

Customer Lists

W.W. GRAINGER, INC. (DEC)

(In thousands of dollars)	1995	1994
Property, buildings, and equipment-net	$518,351	$469,142
Other assets	88,232	101,963

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Other Assets

Included in other assets are intangibles such as customer lists and goodwill. Customer lists are amortized on a straight-line basis over periods of five to sixteen years. Goodwill represents the cost in excess of net assets of acquired companies and is amortized on a straight-line basis over forty years. The carrying value of intangible assets is periodically reviewed by the Company and impairments are recognized when the present value of projected future cash flows is less than their carrying value. Effective January 1, 1996, impairments will be recognized in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," if applicable. Other assets at December 31, 1995, 1994, and 1993 were:

(In thousands of dollars)	1995	1994	1993
Customer lists	$93,857	$93,857	$102,015
Goodwill	25,635	25,635	46,283
Other intangibles	3,475	3,875	6,472
	122,967	123,367	154,770
Less accumulated amortization	50,356	37,266	29,528
	72,611	86,101	125,242
Sundry	15,621	15,862	18,157
Total	$88,232	$101,963	$143,399

Other assets decreased in 1994 primarily due to the revaluation of goodwill and other intangibles that occurred in conjunction with the restructuring charges as described in Note 2.

FOXMEYER HEALTH CORPORATION (MAR)

(Thousands of Dollars)	1995	1994
Other assets		
Goodwill, net of accumulated amortization of $46,801 in 1995 and $40,381 in 1994	$209,749	$228,141
Other intangible assets, net of accumulated amortization of $12,856 in 1995 and $11,059 in 1994	22,966	12,786
Pre-bankruptcy receivable from Phar-Mor, Inc., net of allowance for possible loss of $62,795 in 1995 and $40,000 in 1994	5,963	28,758
Deferred tax asset, net of valuation allowance	52,408	47,342
Miscellaneous assets	56,376	36,171
Total other assets	347,462	353,198

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies and Related Matters

Intangible Assets: Intangible assets consist of goodwill and customer lists arising from business combinations. Goodwill, representing the excess of the purchase price over the estimated fair value of the net assets acquired, is being amortized using the straight-line method over the period of expected benefit of 15 to 40 years. Customer lists are being amortized using the straight-line method over the period of benefit, but in no instance exceeding 20 years.

The Corporation periodically reviews the appropriateness of the remaining life of its intangible assets considering whether any events have occurred or conditions have developed which may indicate that the remaining life or the amortization method requires adjustment. After reviewing the appropriateness of the remaining life and the pattern of usage of the intangible assets, the Corporation then assesses the overall recoverability of intangible assets by determining if the unamortized balance can be recovered through undiscounted future operating cash flows. Absent any unfavorable findings, the Corporation continues to amortize its intangible assets based on the existing estimated life.

Contracts

MARRIOTT INTERNATIONAL, INC. (DEC)

(in millions)	1995	1994
Property and Equipment	$832	$802
Intangibles	402	379
Investments in Affiliates	501	269
Notes Receivable	219	110
Other Assets	688	415

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

(in millions)	1995	1994
Food service and facilities management contracts	$ 384	$ 366
Hotel management and franchise agreements	119	110
Goodwill	165	137
Other	8	6
	676	619
Accumulated amortization	(274)	(240)
	$ 402	$ 379

Intangible assets are amortized on a straight-line basis over periods of 10 to 40 years. Amortization expense totaled $34 million in 1995, $30 million in 1994 and $31 million in 1993.

Customer Relationships

MERCK & CO., INC. (DEC)

($ in millions)	1995	1994
Goodwill and Other Intangibles (net of accumulated amortization of $411.5 million in 1995 and $291.1 million in 1994)	$6,826.3	$7,212.3
Other Assets	1,149.3	1,009.4

NOTES TO FINANCIAL STATEMENTS

2 (In Part): Summary of Accounting Policies

Goodwill and Other Intangibles - Goodwill of $3.8 billion in 1995 and $4.1 billion in 1994 (net of accumulated amortization) represents the excess of acquisition costs over the fair value of net assets of business purchased and is amortized on a straight-line basis over periods up to 40 years. Other acquired intangibles principally include customer relationships of $3.0 billion in 1995 and $3.1 billion in 1994 (net of accumulated amortization) that arose in connection with the acquisition of Medco Containment Services, Inc. Other acquired intangibles are recorded at cost and are amortized on a straight-line basis over their estimated useful lives ranging from predominantly 28 to 40 years. The Company continually reviews goodwill and other intangibles to assess recoverability from future operations using discounted cash flows. Impairments would be recognized in operating results if a permanent diminution in value occurred.

15. Other (Income) Expense, Net

(in millions)	1995	1994	1993
Interest income	$(191.0)	$(153.9)	$(138.9)
Interest expense	98.7	124.4	84.7
Exchange (gains) losses	(7.8)	26.2	68.2
Minority interests	91.9	93.4	50.3
Equity (income) loss from affiliates	(346.3)	(56.6)	26.1
Amortization of goodwill and other intangibles	192.0	193.9	28.2
Other, net	468.8	(51.2)	(82.4)
	$ 306.3	$ 176.2	$ 36.2

Reacquired Franchise Rights

PEPSICO, INC. (DEC)

(in millions)	1995	1994
Total Current Assets	$ 5,546	$ 5,072
Investments in Unconsolidated Affiliates	1,635	1,295
Property, Plant and Equipment, net	9,870	9,883
Intangible Assets, net	7,584	7,842
Other Assets	797	700
Total Assets	$25,432	$24,792

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (tabular dollars in millions)

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

Intangible Assets. Intangible assets are amortized on a straight-line basis over appropriate periods, generally ranging from 20 to 40 years.

Note 6 - Intangible Assets, net

	1995	1994
Reacquired franchise rights	$3,826	$3,974
Trademarks	711	768
Other identifiable intangibles	286	250
Goodwill	2,761	2,850
	$7,584	$7,842

Identifiable intangible assets primarily arose from the allocation of purchase prices of businesses acquired and consist principally of reacquired franchise rights and trademarks. Reacquired franchise rights relate to acquisitions of franchised bottling and restaurant operations and trademarks principally relate to acquisitions of international snack food and beverage businesses. Amounts assigned to such identifiable intangibles were based on independent appraisals or internal estimates. Goodwill represents the residual purchase price after allocation to all identifiable net assets.

Accumulated amortization, included in the amounts above, was $1.8 billion and $1.6 billion at year-end 1995 and 1994, respectively. The adoption of SFAS 121 reduced the carrying amount of intangible assets, net by $86 million. See Note 2.

Reorganization Value

TYCO INTERNATIONAL, LTD. (JUN)

(in thousands)	1995	1994
Property, Plant and Equipment, Net	$658,471	$609,873
Goodwill and Other Intangible Assets	1,004,463	918,791
Reorganization Value in Excess of Identifiable Assets	108,801	115,201
Deferred Income Taxes	101,678	112,691
Other Assets	56,147	39,978

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Tyco International Ltd. ("Tyco" or the "Company") and its subsidiaries. As described more fully in Note 2, on October 9, 1994 a wholly owned subsidiary of Tyco merged with Kendall International, Inc. ("Kendall"). These consolidated financial statements have been prepared following the pooling of interests method of accounting and reflect the combined financial position, operating results and cash flows of Tyco and Kendall as if they had been combined for all periods presented.

During the first half of calendar 1992, Kendall undertook a financial restructuring (the "Restructuring") which reduced its debt and associated interest expense to a level supportable by its operations. The Restructuring was consummated through a prepackaged plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code. For accounting purposes, the Restructuring was effective June 30, 1992, the date Kendall adopted "fresh-start" accounting pursuant to the American Institute of Certified Public Accountants Statement of Position No 90-7 ("SOP 90-7"). As of that date, Kendall's assets and liabilities were adjusted to their reorganization or fair market values, and a new reporting entity was created with no retained earnings or accumulated deficit.

Reorganization Value in Excess of Identifiable Assets

The reorganization value of Kendall was determined based on the purchase price paid for new Kendall common stock issued as part of Kendall's Restructuring (See Basis of Presentation above). Based on the allocation of reorganization value in conformity with procedures specified by SOP 90-7, the portion of reorganization value which could not be attributed to specific tangible or identifiable intangible assets has been reported as reorganization value in excess of identifiable assets.

Reorganization value is being amortized using the straight-line method over 20 years. Accumulated amortization amounted to $23.4 million and $17.0 million at June 30, 1995 and 1994, respectively.

Intangible Pension Asset

JOHNSTON INDUSTRIES, INC. (JUN)

	1995	1994
Total current assets	$110,811,000	$48,834,000
Investments-At market or fair value as determined by directors	19,892,000	
Investments-At equity	4,174,000	21,036,000
Property, Plant, and Equipment-Net	114,309,000	65,354,000
Intangible Asset-Pension	2,675,000	2,874,000
Other Assets	3,240,000	2,096,000
	$255,101,000	$140,194,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Employee Benefit Plans

The provisions of Financial Accounting Standards Board Statement No. 87 ("SFAS 87"), "Employers' Accounting for Pensions" require recognition in the balance sheet of an additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets. At June 30, 1995 and 1994, an additional liability of $5,534,000 and $8,029,000, respectively, is reflected in the consolidated balance sheets. At June 30, 1995 and 1994, the liability exceeded the unrecognized prior service cost resulting in a minimum pension liability, net of taxes, of $1,774,000 and $3,198,000, respectively, recorded as a reduction of the Company's equity.

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			
	1995	**1994**	**1993**	**1992**
Deferred income taxes	185	167	169	95
Prepaid pension costs	97	95	83	81
Property held for sale	63	55	63	73
Debt issue costs	48	47	46	34
Software	35	41	37	29
Segregated cash or securities	35	38	23	33
Cash surrender value of life insurance	22	24	18	18
Assets of nonhomogeneous operations	16	25	30	29
Assets leased to others	16	23	14	19
Start-up costs	13	20	19	17
Other identified noncurrent assets	50	50	42	50

Deferred Income Taxes

ARMCO INC. (DEC)

(Dollars in millions)	1995	1994
Total current assets	$ 613.8	$ 649.0
Investments		
Investment in National-Oilwell	—	79.5
Investment in AFSG	85.6	97.1
Other (less allowance for impairment of $16.7 in 1995 and $18.7 in 1994)	37.2	39.9
Property, plant and equipment (net of accumulated depreciation of $539.8 in 1995 and $499.6 in1994)	668.5	564.6
Deferred tax asset - net (Note 3)	326.1	321.8
Goodwill and other intangible assets	145.9	156.4
Other assets	19.5	26.6
Total assets	$1,896.6	$1,934.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions)

3 (In Part): Income Taxes

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards. At December 31, 1995 and 1994, the net deferred tax asset of $328.5 was included in the Statement of Consolidated Financial Position as follows:

	1995	1994
Other current assets	$ 2.4	$ 8.0
Deferred tax asset	326.1	321.8
Other liabilities	—	(1.3)
Net deferred tax asset	$328.5	$328.5

Significant components of Armco's net deferred tax asset are as follows:

	1995	1994
Tax effects of:		
Operating loss and tax credit carryforwards	$480.6	$488.7
Employee benefits	576.9	602.8
Property, plant and equipment	(132.0)	(148.0)
Other (includes contingencies and other accruals)	72.1	86.3
Gross deferred tax asset	997.6	1,029.8
Valuation allowance	(669.1)	(701.3)
Net deferred tax asset	$328.5	$328.5

Even though Armco has incurred tax losses for the past six fiscal years, management believes that it is more likely than not that it will generate taxable income sufficient to realize a portion of the tax benefit associated with future deductible temporary differences and NOL carryforwards prior to their expiration. This belief is based upon, among other factors, changes in operations that have occurred during the last four years, as well as consideration of available tax planning strategies. Specifically, cost savings, associated with Armco's acquisition of Cyclops and new capital investments, are being realized and are anticipated to continue to improve operating results. Armco has operated in a highly cyclical industry and consequently has had a history of generating and then utilizing significant amounts of NOL carryforwards. During the years 1987-1989, Armco utilized approximately $350.0 of NOL carryforwards. However, management believes that a valuation allowance is appropriate given the current estimates of future taxable income. If Armco is unable to generate sufficient taxable income in the future through operating results, increases in the valuation allowance will be required through a charge to expense. However, if Armco achieves sufficient profitability to utilize a greater portion of the deferred tax asset, the valuation allowance will be reduced through a credit to income.

United Stated income tax returns of Armco for 1991 and prior years have been subject to examination by the Internal Revenue Service and are closed to assessments. However, the NOL carryforwards from some of these years remain open to adjustment. Armco has been in a cumulative net operating loss carryforward position since 1983 and believes that it has sufficient loss carryforwards in excess of any potential audit adjustments that might be made by the Internal Revenue Service for any open years.

EAGLE-PICHER INDUSTRIES, INC. (NOV)

(In thousands of dollars)	1995	1994
Net Property, Plant and Equipment	$155,818	$144,649
Deferred Income Taxes	62,824	43,924
Other Assets	35,313	36,275

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Income Taxes

Components of deferred tax balances as of November 30 are as follows:

(In thousands of dollars)	1995	1994
Deferred tax liabilities:		
Property, plant and equipment	$(7,820)	$(6,608)
Prepaid pension	(2,641)	(2,758)
Other	(3,338)	(3,371)
Total deferred tax liabilities	(13,799)	(12,737)
Deferred tax assets:		
Asbestos liability	877,171	524,998
Accrued liabilities (including amounts subject to compromise)	26,246	26,223
Postretirement benefit liability	7,602	7,375
Other	4,483	4,048
Total deferred tax assets	915,502	562,644
Valuation allowance	(838,879)	(505,983)
Net deferred tax assets	$62,824	$43,924

Given the uncertainties surrounding the chapter 11 cases, the Company does not believe that recognition of a significant portion of the deferred tax assets relating to the asbestos liability and other pre-petition liabilities is appropriate at this time. These liabilities have been recorded at the expected amounts of the allowed claims; if the liabilities are settled for lesser amounts, there will be a corresponding reduction in the deferred tax assets and related valuation allowance. A significant portion of the net deferred tax asset recognized at November 30, 1995 is expected to be recovered through the carryback of amounts which will become deductible when the related liabilities are paid. It is expected that the Company will realize the benefits related to these deductions when it emerges from chapter 11. The changes in the valuation allowance result from increased amounts provided for asbestos litigation and other claims net of increases in the amounts recoverable through these carrybacks.

HORMEL FOODS CORPORATION (OCT)

(In Thousands)	1995	1994
Current Assets		
Cash and cash equivalents	$189,539	$248,599
Short-term marketable securities	8,489	11,360
Accounts receivable	231,407	228,369
Inventories	210,898	199,243
Deferred income taxes	13,255	14,213
Prepaid expenses	5,679	6,431
Total current assets	659,267	708,215
Deferred Income Taxes	66,204	70,791

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

g (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. The company believes that, based upon its lengthy and consistent history of profitable operations, it is probable that the net deferred tax assets of $79.5 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 28, 1995	Oct 29, 1994
Deferred tax liabilities —		
Tax over book depreciation	$(27,834)	$(26,847)
Prepaid pension	(15,270)	(8,371)
Other, net	(4,556)	(2,815)
Deferred tax assets —		
Vacation accrual	3,712	3,259
Insurance accruals	4,155	4,510
Deferred compensation	5,482	4,601
Postretirement benefits	91,365	91,157
Pension accrual	7,996	6,528
Other, net	14,409	12,982
Net deferred tax assets	$79,459	$85,004

LACLEDE STEEL COMPANY (DEC)

(In Thousands of Dollars)	1995	1994
Non-Current Assets:		
Intangible pension asset	$17,409	$18,550
Other intangible assets	2,407	2,551
Bond funds in trust	2,385	2,385
Prepaid pension contributions	6,586	17,795
Deferred income taxes	44,062	21,726
Other	3,785	3,522
Total non-current assets	76,634	66,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Income Taxes

Deferred tax assets were increased in 1995 by $16,151,000, decreased in 1994 by $3,650,000 and increased in 1993 by $7,348,000 as a result of the tax effects of the minimum pension liability adjustment. These amounts are not reflected in the tax provision of these years. See Note 5 for further discussion. No deferred tax valuation allowance is deemed necessary as a result of management's evaluation of the likelihood that all of the deferred tax assets will be realized.

Deferred tax assets and liabilities are comprised of the following at December 31 (thousands of dollars):

	1995	1994
Deferred tax liabilities:		
Depreciation	$(26,966)	$(27,064)
Accrued costs of pension plans	(1,138)	(327)
Total deferred tax liabilities	(28,104)	(27,391)
Deferred tax assets:		
Minimum pension liability adjustment	21,756	5,605
Postretirement medical benefits	31,921	31,672
Active employee benefit liabilities	2,733	2,550
Environmental costs	1,456	1,524
Allowances on receivables	871	967
Net operating loss and alternative minimum tax carryovers	11,536	5,901
Other	1,893	898
Total deferred tax assets	72,166	49,117
Net deferred tax assets	$44,062	$21,726

RYMER FOODS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. 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 109). 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 $31.2 million at October 28, 1995. The Company recorded a valuation allowance amounting to the entire deferred tax asset balance because the Company's financial condition, its lack of a history of consistent earnings, 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.

The Company recognizes the deferred tax benefit related to its deferred tax asset within its income tax provision as income is earned and the benefits are realized.

The components of the net deferred tax asset recorded in the accompanying consolidated balance sheet as of October 28, 1995 and October 29, 1994 are as follows (in thousands):

	1995	1994
Deferred tax assets:		
Accounts receivable	$ 514	$ 325
Inventories	67	29
Property, plant and equipment	846	2,325
Other liabilities	845	901
Alternative minimum tax credits	98	119
Net operating loss carryforwards	10,652	11,228
Investment tax credits	512	512
Capital loss carryforwards	—	262
Total deferred tax assets	13,534	15,701
Less: Valuation allowance	(13,534)	(15,701)
Net deferred tax asset	$ —	$ —

TWIN DISC, INCORPORATED (JUN)

(In thousands)	1995	1994
Current assets:		
Cash and cash equivalents	$ 3,741	$ 4,166
Trade accounts receivable, net	29,247	25,682
Inventories	47,157	41,569
Deferred income taxes	3,865	4,511
Other	6,480	4,482
Total current assets	90,490	80,410
Property, plant and equipment, net	37,348	36,676
Investment in affiliates	14,249	9,569
Deferred income taxes	4,119	4,584
Intangible pension assets	8,293	9,606
Other assets	3,802	3,071
	$158,301	$143,916

L (In Part): Income Taxes

The components of the net deferred tax asset as of June 30, were as follows:

(In thousands)	1995	1994
Deferred tax assets:		
Retirement plans	$10,874	$11,924
Inventory	435	772
Marketing program expenses	250	148
Employee benefits	589	614
Research and development expenses	216	513
Accrued liabilities	926	838
Other	92	75
	13,382	14,884
Foreign net operating loss carryforwards	1,823	2,120
Tax credit carryforwards, principally foreign	2,400	2,355
Alternative minimum tax credit carryforwards	979	623
Valuation allowance	(1,430)	(2,453)
	17,154	17,529
Deferred tax liabilities:		
Fixed assets	7,041	6,540
State income taxes, net	423	494
Other	1,706	1,400
	9,170	8,434
Total net deferred tax assets	$7,984	$9,095

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 tax credit carryforwards. The change in the valuation allowance for the year ended June 30 is as follows:

(In thousands)	1995	1994
Balance at July 1	$(2,453)	$(4,324)
Increase in non-utilization of net operating loss carryforwards, tax credits and non-recognition of deferred tax asset due to uncertainty of recovery	—	(70)
Utilization of foreign tax loss carryforwards	139	604
Utilization of foreign tax credit carryforwards	884	988
Expired foreign tax credit carryforwards	—	349
Balance at June 30	$(1,430)	$(2,453)

Prepaid Pension Costs

AMPCO-PITTSBURGH CORPORATION (DEC)

	1995	1994
Net property, plant and equipment	$55,151,750	$49,743,949
Prepaid pension	14,296,588	14,962,827
Other noncurrent assets	10,013,744	7,454,131

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars Stated in Thousands)

Note 8 (In Part): Employee Pension Plans

The reconciliation of the funded status, for the pension plan in which assets exceed the projected benefit obligation, is as follows:

	1995	1994
Actuarial present value of:		
Vested benefit obligation	$62,479	$52,658
Accumulated benefit obligation	$65,531	$54,800
Projected benefit obligation	$68,821	$58,178
Plan assets at fair value	83,312	67,883
Plan assets in excess of projected benefit obligation	14,491	9,705
Unrecognized (gain) loss	(194)	5,258
Prepaid pension	$14,297	$14,963

HERCULES INCORPORATED (DEC)

(Dollars in thousands)	1995	1994
Total current assets	$ 867,133	$1,152,315
Property, plant, and equipment, net	999,697	1,216,055
Investments	344,273	224,760
Prepaid pension (Note 12)	174,689	222,412
Deferred charges and other assets	107,686	125,711
Total assets	$2,493,478	$2,941,253

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

12 (In Part): Pension Benefits

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.

	1995	1994
Plan asset at fair value	$1,098,310	$1,268,463
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (vested, 1995-$893,006; 1994-$1,020,673)	935,920	1,063,070
Effect of increase in compensation	122,071	117,947
Projected benefit obligation	1,057,991	1,181.017
Plan assets in excess of projected benefit obligation	40,319	87,446
Unrecognized net loss	159,749	192,572
Unrecognized prior service cost	41,504	52,391
Unrecognized transition asset	(66,883)	(109,997)
Prepaid pension expense	$ 174,689	$ 222,412

Property Held For Sale

BAKER HUGHES INCORPORATED (SEP)

(In thousands)	1995	1994
Other Assets:		
Investments	$ 92,474	$ 89,601
Property held for disposal	58,544	73,496
Other assets	103,321	80,054
Excess costs arising from acquisitions - less accumulated amortization: 1995, $136,174; 1994, $112,008	772,378	796,455
Total other assets	1,026,717	1,039,606

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property held for disposal: Property held for disposal is stated at the lower of cost or estimated net realizable value.

CONCORD FABRICS INC. (AUG)

	1995	1994
Property, plant and equipment (at cost, less depreciation and amortization of $5,101,597 in 1995 and $6,101,858 in 1994)	$8,153,913	$8,880,287
Property, plant and equipment held for sale—at estimated disposal value (Note O)	3,000,000	—
Property and plant—leased to others	2,193,532	2,345,692
Other assets	2,379,826	1,528,493

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

O. Plant Shut-Down Costs:

The Company has decided to dispose of its Washington, Georgia dyeing and finishing plant and is actively searching for a buyer; manufacturing operations ceased October 6, 1995. The loss of $1,100,000 (before income tax benefit of $440,000) reflected on the statement of operations and retained earnings for the fiscal year ended September 3, 1995 comprises estimated expenses during the disposition period. The Company estimates that the net proceeds of sale will approximate the facility's depreciated cost.

SEQUA CORPORATION (DEC)

(Amounts in thousands)	1995	1994
Total current assets	$621,213	$604,331
Investments		
Net assets of discontinued operations (Note 5)	144,891	154,395
Other investments	15,891	19,085
	160,782	173,480

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Discontinued Operations

Net assets of discontinued operations approximate net realizable value and have been classified as noncurrent. The amounts the Company will ultimately realize from the leveraged lease portfolio and other investments could differ materially from management's best estimates of their realizable value. A summary of the net assets of discontinued operations is as follows:

(Amounts in thousands) At December 31,	1995	1994
Receivables, net	$ 7,788	$ 6,774
Inventories	6,765	9,788
Investment in leveraged leases and other investments	159,987	163,857
Property, plant and equipment, net	2,807	3,515
Other assets	11,123	10,861
Total assets	188,470	194,795
Accounts payable	2,438	2,550
Accrued expenses	4,425	5,338
Debt	29,528	27,029
Other long-term liabilities	7,188	5,483
Total liabilities	43,579	40,400
Net assets of discontinued operations	$144,891	$154,395

TEKTRONIX, INC. (MAY)

In thousands	1995	1994
Property, plant and equipment — net	$251,910	$224,915
Property held for sale	35,912	39,776
Deferred tax assets	76,418	79,552
Other long-term assets	194,901	108,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part):

Property, Plant and Equipment. Land, buildings and machinery and equipment are carried at cost less accumulated depreciation. Depreciations is based on the estimated useful lives of depreciable assets, ranging from 10 to 48 years for buildings and 3 to 7 years for machinery and equipment, and is generally provided using the straight-line method.

Property held for sale is stated at the lower of cost or estimated net realizable value and includes certain property, plant and equipment no longer used in the Company's operations.

Software Development Costs

THE DUN & BRADSTREET CORPORATION (DEC)

Dollar amounts in millions	1995	1994
Other Assets—Net		
Deferred Charges	$366.3	$363.1
Computer Software	312.3	335.9
Other Intangibles	178.5	216.0
Goodwill	1,009.4	1,149.9
Total Other Assets—Net	1,866.5	2,064.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in millions

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

Other Assets. Deferred charges include prepaid pension costs and assets of grantor trusts established to pay benefits for U.S. supplemental pension plans. Certain computer software costs are capitalized in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," and are reported at the lower of unamortized cost or net realizable value. Other intangibles result from acquisitions and database development. Computer software and other intangibles are being amortized, using principally the straight-line method, over three to five years and five to 15 years, respectively. Goodwill represents the excess purchase price over the fair value of identifiable net assets of businesses acquired and is amortized on a straight-line basis over seven to 40 years.

Note 15 (In Part): Supplemental Financial Data

Computer Software, Other Intangibles and Goodwill:

	Computer Software	Other Intangibles	Goodwill
January 1, 1994	$294.5	$214.7	$942.4
Additions at cost	182.9	47.3	250.4
Amortization	(97.5)	(44.6)	(48.2)
Other deductions and reclassifications	(44.0)	(1.4)	5.3
December 31, 1994	$335.9	$216.0	$1,149.9
Additions at cost	198.6	33.3	17.9
Amortization	(119.8)	(50.5)	(61.8)
Other deductions and reclassifications	(102.4)	(20.3)	(96.6)
December 31, 1995	$312.3	$178.5	$1,009.4

QUARTERDECK CORPORATION (SEP)

(In thousands)	1995	1994
Total current assets	$44,155	$38,460
Equipment and leasehold improvements, net	5,538	3,355
Capitalized software costs	2,692	1,729
Other assets	3,267	346
	$55,652	$43,890

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Capitalized Software Costs

Pursuant to Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," issued by the Financial Accounting Standards Board, the Company is required to capitalize certain software development and production costs once technological feasibility has been achieved. The cost of purchased software is capitalized when related to a product which has achieved technological feasibility or that has an alternative future use. For the year ended September 30, 1995, the Company did not capitalize any internal software development costs. Internal software development costs related to new products reaching technological feasibility during fiscal 1995 were immaterial. During fiscal 1995, the Company purchased and capitalized software amounting to $2,433,000. For the years ended September 30, 1994 and 1993, the Company capitalized $3,509,000 and $4,936,000 of software development and purchased software costs, respectively. Software development costs incurred prior to achieving technological feasibility as well as certain licensing costs are charged to research and development expense as incurred.

Capitalized software development and purchased software costs are reported at the lower of unamortized cost or net realizable value. Commencing upon initial product release, these costs are amortized based on the straight-line method over the estimated life, generally one year for internal software development costs and twelve to thirty-six months for purchased software. Fully amortized software costs are removed from the financial records. For the years ended September 30, 1995, 1994 and 1993, the Company recorded $1,470,000, $2,811,000 and $2,624,000 of amortization of capitalized software costs, respectively, based on the straight-line method. Amortization of capitalized software costs is included in cost of revenues in the accompanying consolidated statement of operations.

Segregated Funds

ACCLAIM ENTERTAINMENT, INC. (AUG)

(in 000s)	1995	1994
Other assets		
Fixed assets—net	$33,970	$15,638
Excess of cost over net assets acquired—net of accumulated amortization of $9,091 and $5,951, respectively	59,837	59,400
Other assets	33,186	10,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in 000s)

8. Other Assets

Other assets are comprised of the following:

	August 31,	
	1995	1994
Deferred compensation	$10,652	—
Royalty advances	5,000	$ 3,675
Investments	4,000	—
Other assets	13,534	6,464
	$33,186	$10,139

Deferred compensation represents escrow accounts on behalf of certain executives pursuant to employment agreements. Such amounts will be recorded as expense when earned over the terms of the agreements, generally three to five years, and are recoverable by the Company if the executive's employment with the Company is terminated upon the occurrence of certain events specified in the respective employment agreements.

WAUSAU PAPER MILLS COMPANY (AUG)

(dollar amounts in thousands)	1995	1994
Other Assets		
Cash restricted for capital additions	$14,732	
Deferred charges and other assets	7,746	$8,383
Total other assets	22,478	8,383

Cash Surrender Value

BALL CORPORATION (DEC)

(dollars in millions)	1995	1994
Investments in affiliates	$262.8	$30.8
Goodwill and other intangibles, net	66.1	93.8
Net cash surrender value of company-owned life insurance	16.8	94.7
Other assets	45.5	62.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company-Owned Life Insurance

The company has purchased insurance on the lives of certain groups of employees. Premiums have been approximately $20 million annually. Amounts in the Consolidated Statement of Cash Flows represent net cash flows from this program including policy loans of $113.2 million, $23.4 million and $37.2 million in 1995, 1994 and 1993, respectively. Loans outstanding of $233.0 million and $120.7 million at December 31, 1995 and 1994, respectively, are reflected as a reduction in the net cash value in the Consolidated Balance Sheet. The policies are issued by Great-West Life Assurance Company and

The Hartford Life Insurance Company. Federal budget proposals currently under consideration by Congress include legislation which may limit, to varying degrees, the amount of interest on policy loans which could be deducted for federal tax purposes. The company is monitoring the proposed legislation closely and reviewing options available should the legislation be enacted.

Nonhomogeneous Operations

HILLENBRAND INDUSTRIES, INC. (NOV)

(Dollars in thousands)	1995	1994
Insurance Assets (Note 9):		
Investments	$1,432,222	$1,198,539
Deferred acquisition costs	339,330	281,189
Deferred income taxes	39,518	43,051
Other	39,893	33,799
Total Insurance Assets	1,850,963	1,556,578

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Insurance Operations

Forecorp, Inc., through its two subsidiaries, Forethought Life Insurance Company and The Forethought Group, Inc., serves funeral planning professionals with life insurance policies and marketing support for Forethought® funeral planning, a "pre-need" insurance program. The life insurance policies are limited to long-duration, whole-life policies and, as such, are accounted for under SFAS No. 97. The benefits under these policies increase based on external inflationary indices. Premiums received are recorded as an increase to benefit reserves or as unearned revenue. Unearned revenues are recognized over the actuarial life of the contract. Policy acquisition costs, consisting of commissions, policy issue expense and premium taxes, are deferred and amortized consistently with unearned revenues. Liabilities equal to policy holder account balances and amounts assessed against these balances for future insurance charges are established on the insurance contracts issued by Forethought Life Insurance Company.

Investments are predominantly U.S. treasuries and agencies and high-grade corporate bonds with fixed maturities and are carried on the balance sheet at fair value. The Company's objective is to purchase investment securities with maturities that match the expected cash outflows of policy benefit payments. During 1995, the investment portfolio was realigned to better meet this objective. Securities are also sold in other carefully constrained circumstances such as a concern about the credit quality of the issuer. Otherwise, it is management's intent that these investments be held to maturity. Cash (unrestricted as to use) is held for future investment.

TEXTRON INC. (DEC)

(Dollars in millions)	1995	1994
Assets		
Cash	$ 99	$ 49
Investments	5,926	5,294
Receivables - net:		
Finance	9,362	8,583
Commercial and U.S. Government	777	702
	10,139	9,285
Inventories	1,284	1,211
Property, plant and equipment, less accumulated depreciation of $1,652 and $1,450	1,408	1,253
Insurance policy acquisition costs	897	911
Goodwill, less accumulated amortization of $438 and $381	1,607	1,512
Other (including net prepaid income taxes)	1,812	1,410
Total assets	$23,172	$20,925

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Insurance Operations

Recognition of revenues and expenses
Premiums from individual disability insurance are recognized in revenues when due. Benefits and expenses relating to individual disability insurance are recognized over the life of the contracts through the establishment of reserves for future policy benefits and the amortization of deferred policy acquisition costs. For investment products, revenues consist of policy and surrender charges assessed during the year. Unearned insurance premiums are deferred and subsequently recognized in revenues over the lives of the policies.

Deferred policy acquisition costs
Costs which vary with and are related primarily to the production of new business, are deferred to the extent they are deemed recoverable from future profits. For disability insurance, these costs are amortized in proportion to premiums over the estimated lives of the policies. For investment products, these costs are amortized in proportion to estimated profits.

Insurance reserves and claims
Policy reserves represent the portion of premiums received, accumulated with interest, to provide for future claims. Such reserves for individual disability insurance products are based on Textron's withdrawal, morbidity, and mortality experience. Claim reserves are established for future payments not yet due on claims already incurred, primarily relating to individual disability insurance. Other policyholder funds represent amounts accumulated under deferred contracts to provide annuities in the future.

Subscription Acquisition Costs

MEREDITH CORPORATION (JUN)

(in thousands)	1995	1994
Total current assets	$261,893	$298,268
Property, plant and equipment		
(at cost)	252,626	231,158
Less accumulated depreciation	(120,862)	(106,503)
Net property, plant and equipment	131,764	124,655
Deferred subscription acquisition costs	34,957	70,108
Other assets	25,456	28,436
Goodwill and other intangibles (at original cost less accumulated amortization of $81,719 in 1995 and $68,042 in 1994)	428,230	343,000
Total assets	$882,300	$864,467

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

e. Subscription acquisition costs
Subscription acquisition costs primarily represent direct-mail agency commissions. These costs are deferred and amortized over the related subscription term, typically one or two years.

Spare Parts Inventory

TASTY BAKING COMPANY (DEC)

	1995	1994
Other assets:		
Long-term receivables	$11,074,974	$10,872,115
Deferred income taxes	9,720,541	10,830,705
Spare parts inventory	2,929,882	2,623,979
Miscellaneous	609,365	531,307
	24,334,762	24,858,105

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.

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* applies to entities having total assets of $150 million or more, and, effective for fiscal years ending after December 15, 1995, to entities having total assets of less than $150 million. 243 survey companies disclosed that the amount of short-term debt show on the balance sheet approximated the fair value of the short-term debt.

Examples of short-term debt presentations follow.

TABLE 2-20: SHORT-TERM DEBT

	1995	**1994**	**1993**	**1992**
Description				
Notes or loans				
Payee indicated	66	69	69	83
Payee not indicated	146	150	147	142
Short-term debt or borrowings	114	119	104	97
Commercial paper	60	57	64	62
Other	32	32	26	35
Total Presentations	**418**	**427**	**410**	**419**
Number of Companies				
Showing short-term debt	377	378	368	376
Not showing short-term debt	223	222	232	224
Total Companies	**600**	**600**	**600**	**600**

ALCO STANDARD CORPORATION (SEP)

(Dollars in thousands)	1995	1994
Current Liabilities		
Current portion of long-term debt	$ 26,319	$ 12,299
Notes payable (Note 5)	280,832	91,999
Trade accounts payable	501,316	500,166
Accrued salaries, wages and commissions	115,874	96,987
Deferred revenues	172,900	134,485
Restructuring costs	33,302	56,971
Other accrued expenses	259,534	164,023
Total current liabilities	1,390,077	1,056,930

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Notes Payable and Long-term Debt

Notes payable consisted of:

Sept. 30 (In thousands)	1995	1994
Notes payable to banks at average interest rate: 1995-6.8%; 1994-5.5%	$279,496	$91,419
Other notes payable at average interest rate: 1995-7.2%; 1994-7.1%	1,336	580
	$280,832	$91,999

On December 1, 1994 the Company entered into a credit agreement with 14 banks under which it may borrow up to $500,000,000. The agreement has two parts: $150,000,000 is available for 364 days subject to annual renewal for successive 364-day periods through December 1, 1999; the other $350,000,000 terminates on December 1, 1999. Facility fees of 8 basis points per annum on the 364-day portion and 10 basis points per annum on the five-year portion are charged for these commitments. The agreement provides that loans may be made under either domestic or Eurocurrency notes at rates computed under a selection of rate formulas including prime or Eurocurrency rates.

The Company may also borrow up to $100,000,000 or the Canadian dollar equivalent under its amended April 1993 credit agreement with four banks. The agreement has two parts: $50,000,000 is available for 364 days, subject to annual renewal through April 19, 1996; the other $50,000,000 is available through April 21, 1996. Facility fees of 8 basis points per annum on the 364-day portion and 10 basis points per annum for the three-year portion are charged for these commitments. Loans under the agreement may be made under a selection of rate formulas including prime, the Eurodollar rate in the United States or Canada, or the Canadian Bankers Acceptance rate.

At September 30, 1995, short-term borrowings supported by the combined lines of credit totaled $252,496,000 leaving $347,504,000 unused and available.

14 (In Part): Financial Instruments

The Company uses financial instruments in the normal course of its business. These financial instruments include debt, commitments to extend credit and interest rate swap agreements. The notional or contractual amounts of these commitments and other financial instruments are discussed below.

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Cash, Notes Payable and Long-Term Receivables
The carrying amounts reported in the consolidated balance sheets approximate fair value.

AMERICAN BRANDS INC. (DEC)

(In millions)	1995	1994
Current liabilities		
Notes payable to banks	$ 297.4	$ 77.3
Commercial paper	—	103.3
Accounts payable	301.9	471.4
Accrued excise and other taxes	826.8	1,082.1
Accrued expenses and other liabilities	571.8	856.2
Current portion of long-term debt	413.4	424.2
Total current liabilities	2,411.3	3,115.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Borrowings and Credit Facilities

At December 31, 1995 and 1994, there were $297.4 million and $180.6 million of short-term borrowings outstanding, respectively, comprised of notes payable to banks and, at December 31, 1994, commercial paper. The weighted average interest rate on these borrowings was 6.5% and 6%, respectively.

At December 31, 1995, there was $17.8 million outstanding under committed bank credit agreements, which provide for unsecured borrowings of up to $286 million for general corporate purposes, including acquisitions. Fees of 0.10% per annum are paid.

In addition, the Company had uncommitted bank lines of credit which provide for unsecured borrowings for working capital of up to $497.4 million, of which $279.6 million was outstanding at year end.

For a description of the Company's use of financial instruments, see page 52.

Financial Instruments (In Part):

The estimated fair value of the Company's cash and cash equivalents, notes payable to banks and commercial paper, approximates the carrying amounts due principally to their short maturities.

PHILIP MORRIS COMPANIES INC. (DEC)

(In millions of dollars)	1995	1994
Short-term borrowings	$ 122	$ 181
Current portion of long-term debt	1,926	712
Accounts payable	3,364	3,789
Accrued liabilities:		
Marketing	2,114	2,086
Taxes, except income taxes	1,075	948
Employment costs	995	926
Other	2,706	2,290
Income taxes	1,137	1,325
Dividends payable	834	708
Total current liabilities	$14,273	$12,965

NOTES TO FINANCIAL STATEMENTS

Note 5. Short-Term Borrowings and Borrowing Arrangements

At December 31, the Company's short-term borrowings and related average interest rates consisted of the following:

	1995		1994	
(In millions)	Amount Outstanding	Average Year-End Rate	Amount Outstanding	Average Year-End Rate
Consumer products:				
Bank loans	$ 209	13.1%	$ 215	12.0%
Commercial paper	2,495	5.8%	2,505	5.9%
Amount reclassified as long-term debt	(2,582)		(2,539)	
	$ 122		$ 181	
Financial services and real estate: Commercial paper	$ 671	5.9%	$ 604	5.9%

The fair values of the Company's short-term borrowings at December 31, 1995 and 1994, based upon market rates, approximate the amounts disclosed above.

The Company and its subsidiaries maintain credit facilities with a number of lending institutions, amounting to approximately $15.4 billion at December 31, 1995. Approximately $15.3 billion of these facilities were unused at December 31, 1995. Certain of these facilities are used to support commercial paper borrowings, are available for acquisitions and other corporate purposes and require the maintenance of a fixed charges coverage ratio.

The Company's credit facilities include revolving bank credit agreements totaling $12.0 billion. An agreement for $4.0 billion expires in October 1996, and an agreement for $8.0 billion expires in 2000 enabling the Company to refinance short-term debt on a long-term basis. Accordingly, short-term borrowings intended to be refinanced were reclassified as long-term debt.

RUBBERMAID INCORPORATED (DEC)

(Dollars in thousands)	1995	1994
Current liabilities:		
Notes payable	$116,539	$20,374
Long-term debt, current	5,957	1,783
Payables	102,003	102,681
Accrued liabilities	190,233	170,759
Total current liabilities	$414,732	$295,597

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Financial Instruments

Investments with maturities at date of purchase of three months or less are considered cash equivalents. Cash equivalents include $9,700 of Eurodollar investments at December 31, 1995, and $49,453 of commercial paper and $22,500 of Eurodollar investments at December 31, 1994.

The fair value of financial instruments, consisting of investments in cash, cash equivalents, receivables, obligations under accounts payable, and debt instruments, is based on interest rates available to the Company and comparisons to quoted prices. At December 31, 1995 and 1994, the fair value of these financial instruments approximates carrying value.

6. Notes Payable

Notes payable consist primarily of short-term loans borrowed under short-term credit facilities made available on an informal basis by commercial banks. At December 31, 1995, the Company had approximately $450 million in aggregate availability under such credit facilities. The Company's weighted average interest rate for notes payable was 6.1% and 6.7% as of December 31, 1995 and 1994, respectively.

In January 1996, the Company entered into a $500 million committed credit facility designated to support a commercial paper program planned for the first quarter of 1996. This facility is subject to normal banking terms and conditions, and expires in January 2001. In conjunction with this action, availability under certain informal lines was reduced.

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 127 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

	1995	1994	1993	1992
Accounts payable	435	438	421	418
Trade accounts payable	125	126	118	122
Accounts payable combined with accrued liabilities or accrued expenses	31	22	45	44
Other captions	9	14	16	16
Total Companies	**600**	**600**	**600**	**600**

ALUMINUM COMPANY OF AMERICA (DEC)

(In millions)	1995	1994
Current liabilities:		
Short-term borrowings (weighted average rate of 7.6% in 1995 and 7.9% in 1994)	$ 345.0	$ 261.9
Accounts payable, trade	861.7	739.3
Accrued compensation and retirement costs	384.3	363.9
Taxes, including taxes on income	304.7	393.0
Provision for layoffs and impairments	63.9	84.4
Other current liabilities	344.4	557.0
Long-term debt due within one year	348.2	154.0
Total current liabilities	$2,652.2	$2,553.5

ADOLPH COORS COMPANY (DEC)

(In thousands)	1995	1994
Current liabilities:		
Current portion of long-term debt	$ 36,000	$ 44,000
Accounts payable:		
Trade	118,207	156,667
Affiliates	14,142	8,024
Accrued salaries and vacations	37,178	41,567
Taxes, other than income taxes	39,788	47,060
Federal and state income taxes	9,091	—
Accrued expenses and other liabilities	69,257	82,896
Total current liabilities	$323,663	$380,214

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

	1995	1994	1993	1992
Description				
Salaries, wages, payrolls, commissions	292	290	292	297
Compensation	191	190	188	178
Pension or profit-sharing contributions	95	83	83	86
Benefits	64	72	72	45
Compensated absences	19	21	17	18
Other	33	31	33	39
Total Presentations	**694**	**687**	**685**	**663**
Number of Companies				
Disclosing employee related liabilities	509	510	506	499
Not disclosing	91	90	94	101
Total Companies	**600**	**600**	**600**	**600**

DOW JONES & COMPANY, INC. (DEC)

(Dollars in thousands)	1995	1994
Current Liabilities:		
Accounts payable—trade	$104,597	$89,006
Accrued wages, salaries and commissions	61,121	56,331
Profit sharing and other retirement plan contributions payable (Note 10)	37,483	35,029
Other payables	70,911	57,040
Income taxes	67,940	68,694
Unearned revenue	234,168	219,880
Current maturities of long-term debt	5,318	5,318
Total current liabilities	$581,538	$531,298

NOTES TO FINANCIAL STATEMENTS

Note 10. Profit Sharing and Pension Plans

The company and certain subsidiaries have profit sharing retirement plans for a majority of employees who meet specified length of service requirements. The annual cost of the plans, which are funded currently, is based upon a percentage of compensation or consolidated net income, as defined, but is limited to the amount deductible for income tax purposes.

Substantially all employees of subsidiaries who are not covered by the above plans are covered by noncontributory defined benefit pension plans. These plans are not material in respect to charges to operations.

Total profit sharing and pension plan expenses amounted to $50,358,000, $46,768,000 and $44,805,000 in 1995, 1994 and 1993, respectively.

FMC CORPORATION (DEC)

(In millions)	1995	1994
Current liabilities		
Short-term debt	$ 420.8	$ 66.9
Accounts payable, trade and other	848.5	676.9
Accrued payroll	110.4	98.5
Other current liabilities	309.0	307.4
Current portion of long-term debt	29.8	41.3
Current portion of accrued pension and other postretirement benefits (Notes 12 and 13)	36.4	22.8
Income taxes payable	37.8	55.1
Total current liabilities	1,792.7	1,268.9
Long-term debt, less current portion	974.4	901.2
Accrued pension and other postretirement benefits, less current portion (Notes 12 and 13)	284.6	306.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Retirement Plans

FMC has retirement plans for substantially all domestic employees and certain employees in other countries. Plans covering salaried employees provide pension benefits based on years of service and an average of the highest 60 consecutive months of compensation during the last 120 months of consecutive employment. Plans covering hourly employees generally provide benefits of stated amounts for each year of service.

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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)	1995	1994
Actuarial present value of benefits for service rendered to date:		
Accumulated benefit obligation based on salaries to date, including vested benefits of $663.8 in 1995 and $581.8 in 1994	$(708.3)	$(611.6)
Additional benefits based on estimated future salary levels	(117.6)	(145.4)
Projected benefit obligation	(825.9)	(757.0)
Plan assets at fair value([1])	920.4	727.4
Projected benefit obligation (in excess of) or less than plan assets	94.5	(29.6)
Unrecognized net (gain) loss	(94.5)	55.7
Unrecognized prior service cost	20.7	25.5
Unrecognized net transition asset	(126.0)	(149.6)
Accrued pension cost	$(105.3)	$(98.0)

([1]) Primarily equities, bonds and participating annuities.

Note 13 (In Part): Postretirement Health Care and Life Insurance Benefits

FMC provides retiree health care and life insurance benefits for substantially all domestic employees. There are no significant plans for international employees. Employees generally become eligible for retiree benefits when they meet minimum retirement age and service requirements. The cost of providing most of these benefits is shared with retirees. The company has reserved the right to change or eliminate these benefit plans.

The company funds a trust for retiree health and life benefits for the Defense Systems segment. Funding is based on amounts in negotiated government defense contracts, in conformity with Federal Cost Accounting Standards.

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The accrued postretirement benefits recognized in the company's consolidated financial statements and the funded status of the plan as of December 31 are as follows:

(In millions)	1995	1994
Accumulated postretirement benefit obligation (APBO):		
Retirees	$ (98.4)	$(110.4)
Fully eligible active participants	(24.0)	24.5)
Other active participants	(59.1)	(53.8)
APBO	(181.,5)	(188.7)
Plan assets at fair value([1])	32.2	24.5
APBO obligation in excess of plan assets	(149.3)	(164.2)
Unamortized plan amendments	(58.0)	(62.8)
Unrecognized net gain	(8.4)	(4.3)
Accrued postretirement benefit	$(215.7)	$(231.3)

([1]) Primarily equities and fixed income securities.

As part of restructuring and downsizing, the company recognized a one-time curtailment gain of $7.6 million in 1995 which is included in plan amendment amortization ($7.0 million) and in net gain amortization $0.6 million).

GENERAL MILLS, INC. (MAY)

(In millions)	1995	1994
Current Liabilities:		
Accounts payable	$ 494.0	$ 513.9
Current portion of long-term debt	93.7	115.1
Notes payable	112.9	433.3
Accrued taxes	108.8	147.0
Accrued payroll	118.2	121.3
Other current liabilities	293.3	210.7
Total Current Liabilities	$1,220.9	$1,541.3

W. W. GRAINGER, INC. (DEC)

(In thousands of dollars)	1995	1994
Current Liabilities		
Short-term debt	$ 23,577	$ 11,134
Current maturities of long-term debt	23,241	26,449
Trade accounts payable	204,925	226,459
Accrued contributions to employees' profit sharing plans	53,618	50,020
Accrued expenses	115,310	122,339
Income taxes	23,465	22,650
Total current liabilities	$444,136	$459,051

THE LTV CORPORATION (DEC)

(In millions)	1995	1994
Current liabilities		
Accounts payable	$255.0	$267.2
Accrued employee compensation and benefits	408.4	394.0
Other accrued liabilities	183.3	175.9
Total current liabilities	$846.7	$837.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Liabilities

Current accrued employee compensation and benefits included the following at December 31 (in millions):

	1995	1994
Pension benefits	$ 59.3	$ 58.5
Postemployment health care and other insurance benefits	137.6	129.3
Compensated absences	49.6	50.7
Other	161.9	155.5
	$408.4	$394.0

PALL CORPORATION (JUL)

(In thousands)	1995	1994
Current Liabilities:		
Notes payable to banks	$117,489	$112,034
Accounts payable	47,814	40,401
Accrued liabilities:		
Salaries and commissions	27,863	24,031
Payroll taxes	6,279	5,185
Income taxes	34,311	33,019
Interest	1,624	1,232
Pension and profit sharing plans	9,342	11,014
Other	21,503	16,437
	100,922	90,918
Current portion of long-term debt	9,494	2,819
Dividends payable	12,014	10,667
Total Current Liabilities	$287,733	$256,839

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

	1995	**1994**	**1993**	**1992**
Income taxes	323	337	340	341
Taxes—type not specified	40	38	45	44
Federal and state income taxes	14	18	21	22
Federal income taxes	9	10	7	11
Federal, state, and foreign income taxes	8	9	8	9
Federal and foreign income taxes	7	9	6	5
U.S. and foreign income taxes	9	7	6	7
Other captions	15	16	16	16
No current income tax liability	175	156	151	145
Total Companies	**600**	**600**	**600**	**600**

AMP INCORPORATED (DEC)

(Dollars in thousands)	1995	1994
Current Liabilities:		
Short-term debt	$ 318,169	$ 182,338
Payables, trade and other	460,892	403,947
Accrued payrolls and employee benefits	168,667	156,322
Accrued income taxes	196,417	247,997
Other accrued liabilities	121,948	116,318
Total current liabilities	$1,266,093	$1,106,922

TYSON FOODS, INC. (SEP)

(In millions)	1995	1994
Current Liabilities:		
Notes payable	$ 95.2	$ 49.4
Current portion of long-term debt	269.0	24.2
Trade accounts payable	274.7	258.6
Accrued salaries and wages	74.6	71.8
Federal and state income taxes payable	14.6	19.7
Accrued interest payable	7.9	4.2
Other current liabilities	129.8	111.9
Total Current Liabilities	$865.8	$539.8

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			
	1995	1994	1993	1992
Current portion of long-term debt	224	221	227	218
Current maturities of long-term debt	195	185	192	191
Long-term debt due or payable within one year	43	45	47	53
Current installment of long-term debt	25	27	28	35
Current amount of long-term leases	47	49	47	44
Other captions	9	15	12	4

AMERICAN STORES COMPANY (JAN)

(In thousands of dollars)	1996	1995
Current Liabilities		
Current maturities of long-term debt	$ 125,413	$ 132,019
Current obligations under capital leases	9,739	9,195
Accounts payable	996,354	883,329
Accrued payroll and benefits	331,843	350,637
Current portion of self-insurance accruals	153,464	179,595
Income taxes payable	17,292	46,170
Other current liabilities	353,598	330,486
Total Current Liabilities	$1,987,703	$1,931,431

H. B. FULLER COMPANY (NOV)

(Dollars in thousands)	1995	1994
Current Liabilities:		
Notes payable	$ 53,749	$ 53,125
Current installments of long-term debt	5,722	6,430
Accounts payable—trade	117,446	105,825
Accrued payroll and employee benefits	28,276	31,389
Other accrued expenses	31,228	26,691
Income taxes	9,164	8,278
Total current liabilities	$245,585	$231,738

RUDDICK CORPORATION (SEP)

(Dollars in thousands)	1995	1994
Current Liabilities		
Notes payable	$ 5,852	$ 5,596
Current portion of long-term debt	9,233	5,415
Dividends payable	6,491	5,131
Accounts payable	146,818	120,636
Federal and state income taxes	57	3,162
Accrued compensation	29,447	25,831
Accrued interest	13,623	7,231
Other accrued liabilities	19,700	17,402
Total Current Liabilities	$231,221	$190,404

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			
	1995	1994	1993	1992
Interest	124	124	121	137
Taxes other than federal income taxes	122	139	132	138
Estimated costs related to discontinued operations	108	130	142	114
Insurance	78	78	75	79
Dividends payable	75	78	82	88
Deferred revenue	58	54	47	48
Customer advances, deposits	54	55	58	49
Warranties	54	54	54	51
Environmental costs	51	53	39	27
Deferred taxes	46	53	42	33
Advertising	45	39	44	40
Billings on uncompleted contracts	28	31	31	28
Due to affiliated companies	24	22	24	14
Other—Described	118	115	101	100

Interest

LYNCH CORPORATION (DEC)

(In thousands)	1995	1994
Current Liabilities:		
Notes payable to banks	$ 9,622	$ 5,904
Trade accounts payable	20,147	11,999
Accrued interest payable	1,146	565
Accrued liabilities	23,612	15,759
Customer advances	3,787	7,400
Current maturities of long-term debt	39,708	29,545
Total Current Liabilities	$98,022	$71,172

Taxes Other Than Federal Income Taxes

CONSOLIDATED PAPERS, INC. (DEC)

(Dollars in thousands)	1995	1994
Current Liabilities		
Current maturities of long-term debt	$ 70,000	$ 50,000
Accounts payable	72,278	47,436
Payroll and employee benefits	49,426	38,873
Income taxes	11,420	126
Property taxes	11,797	7,421
Other current liabilities	26,318	13,094
Total current liabilities	$241,239	$156,950

KMART CORPORATION (JAN)

(Dollars in millions)	1996	1995
Current Liabilities:		
Long-term debt due within one year	$ 7	$ 235
Notes payable	—	748
Trade accounts payable	1,993	2,638
Accrued payrolls and other liabilities	1,076	1,158
Taxes other than income taxes	188	268
Income taxes	—	256
Total current liabilities	$3,264	$5,303

THE MAY DEPARTMENT STORES COMPANY (JAN)

(Dollars in millions)	1996	1995
Current Liabilities:		
Current maturities of long-term debt	$ 132	$ 168
Accounts payable	692	735
Accrued expenses	650	658
Income taxes payable	128	128
Total Current Liabilities	$1,602	$1,689

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued Expenses

Major components of accrued expenses included:

(Millions)	Feb. 3, 1996	Jan. 28 1995
Insurance costs	$185	$179
Sales and use and other taxes	96	120
Salaries, wages and employee benefits	89	90
Interest and rent expense	79	71
Store closings and real estate-related	71	81
Advertising and other operating expenses	53	53
Construction costs	43	44

MET-PRO CORPORATION (JAN)

	1996	1995
Current liabilities		
Current portion of long-term debt	$1,178,177	$1,170,821
Accounts payable	2,307,034	2,279,262
Accrued salaries, wages and expenses	6,347,912	5,777,565
Payroll and other taxes payable	5,974	6,266
Customers' advances	411,409	272,387
Total current liabilities	$10,250,506	$9,506,301

Costs/Liabilities Related To Discontinued Operations

CARLISLE PLASTICS, INC. (DEC)

(In thousands)	1995	1994
Current liabilities:		
Current portion of long-term debt	$ 8,910	$ 9,563
Accounts payable	31,785	37,999
Other accrued liabilities	11,122	11,634
Restructuring accrual	8,086	—
Total current liabilities	$59,903	$59,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In Thousands)

11. Restructuring Charge

During the fourth quarter of 1995, the Company recorded a $33,935 charge for restructuring relating to the exit of two unprofitable business units: private label grocery and containers. Principal items included in the charge are estimated contract termination costs, severance for work-force reductions, losses on contracts and the write-off of certain assets including goodwill. Sales related to the pri-

vate label grocery and containers businesses for the year ended December 31, 1995 totaled $25,555 and $30,107, respectively, and operating losses before restructuring charges totaled $1,942 and $920, respectively. Management estimates that the cash generated from the sale of assets will cover the estimated cash requirements related to the restructuring. The balance of the restructuring liability as of December 31, 1995 was $8,086. The majority of these liabilities should be paid or settled during 1996.

DIGITAL EQUIPMENT CORPORATION (JUN)

(Dollars in thousands)	1995	1994
Current liabilities		
Bank loans and current portion of long-term debt	$ 14,371	$ 32,614
Accounts payable	1,113,160	1,197,350
Income taxes payable	76,757	20,753
Salaries, wages and related items	562,442	619,756
Deferred revenues and customer advances	1,232,050	1,239,792
Accrued restructuring costs (Note E)	492,046	1,351,075
Other current liabilities	755,466	594,925
Total current liabilities	$4,246,292	$5,056,265

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E. Restructuring Actions

Accrued restructuring costs and charges include the cost of involuntary employee termination benefits, facility closures and related costs associated with restructuring actions. Employee termination benefits include severance, wage continuation, notice pay, medical and other benefits. Facility closures and related costs include gains and losses on disposal of property, plant and equipment, lease payments and related costs. Restructuring costs were accrued and charged to expense in accordance with approved management plans.

The Corporation's cost structure at the end of fiscal year 1994 was too high for the level and mix of total operating revenues. As a result, the Corporation approved additional restructuring actions and accrued related costs of $1.2 billion. The cost of employee separations associated with the fiscal 1994 charge included termination benefits for approximately 20,000 employees, located principally in the U.S. and Europe. The greatest portion of employee separations, approximately 40%, were to come from sales and marketing functions, as the Corporation sells more products through indirect channels of distribution. Most other organizations and function also were affected by the reduction in employees. A portion of these employee separations occurred near the end of the fourth quarter of fiscal 1994. The fiscal 1994 charge also covers costs associated with closure of 10 million square feet of facilities, including office and manufacturing space, principally in the U.S. and Europe.

During fiscal year 1995, restructuring actions resulted in approximately 7,400 employee separations. While some restructuring actions remain to be implemented in fiscal 1996, the number of involuntary separations is expected to be lower than originally planned due principally to a higher level of voluntary separations and employees transferred in connection with divesting activities. However, associated cost savings were offset by an increase in estimated separation costs for certain non-U.S. employees.

The Corporation's experience in property dispositions in fiscal year 1995 was favorable to plan on a cost per square foot basis. During fiscal 1995, the Corporation sold, or entered into agreements to sell, approximately 5.3 million square feet of space including the Corporation's former headquarters facilities in Maynard, Massachusetts, generating approximately $200,000,000 of cash proceeds.

The remaining accrued balance of $492,046,000 is adequate to cover currently planned restructuring actions, the majority of which are facilities related.

Accrued restructuring costs (in thousands)

Year ended	July 1, 1995	July 2, 1994	July 3, 1993
Balance, beginning of year	$1,351,075	$738,989	$1,546,904
Charges to operations:			
Employee separations	—	679,000	—
Facility closures and related costs	—	527,000	—
Total charges to operations	—	1,206,000	—
Costs incurred:			
Employee separations	507,816	372,450	454,900
Facility closures and related costs	323,029	212,300	314,250
Other	28,184	9,164	38,765
Total costs incurred	859,029	593,914	807,915
Balance, end of year	$492,046	$1,351,075	$738,989
Cash expenditures:			
Employee separations	$562,629	$532,000	$651,300
Facility closures and related costs, net of proceeds	(38,850)	67,550	174,700
Net cash expenditures	$523,779	$599,550	$826,000
Number of employee terminations due to restructuring actions	7,400	12,000	17,000

SUNDSTRAND CORPORATION (DEC)

(Amounts in millions)	1995	1994
Current Liabilities		
Notes payable	$168	$194
Long-term debt due within one year	7	11
Accounts payable	102	95
Accrued salaries, wages, and commissions	24	23
Accrued postretirement benefits other than pensions	17	19
Restructuring liability	27	—
Other accrued liabilities	93	90
Total current liabilities	$438	$432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring

During 1995, the Company's Board of Directors approved a restructuring plan which resulted in a pretax charge of $58 million. The charge was taken to reduce excess manufacturing capacity caused by reductions in manufacturing volume and increases in manufacturing productivity, and to write down the assets of Milton Roy's Spectronic instruments business (Spectronic) and the Aerospace segment's Advanced Power Technology product line (APT) in anticipation of their divestiture. The charge included $24 million in termination benefits for approximately 350 employees, primarily consisting of workers at the Company's Lima, Ohio, facility. Also included in the charge was $29 million for the write-down of the assets of the Lima facility, Spectronic, and APT, as well as $5 million for disposition of the Lima facility. The shutdown and disposition of the Lima facility are expected to be completed by the end of 1996 and the sales of Spectronic and a majority interest in APT were completed in the third quarter of 1995.

During 1995, approximately $1 million was paid and charged against the restructuring liability. Additionally, approximately $6 million was charged directly to earnings related primarily to the movement of equipment from the Lima facility to other manufacturing sites.

Deferred Revenue

GENERAL BINDING CORPORATION (DEC)

(000 omitted)	1995	1994
Current Liabilities:		
Notes payable	$17,428	$23,814
Current maturities of long-term obligations	505	674
Accounts payable	23,600	20,647
Accrued liabilities:		
Salaries, wages and profit sharing contributions	11,293	9,939
Taxes, other than income taxes	2,761	2,839
Deferred income on maintenance agreements	8,556	8,426
Other	19,685	18,265
Total current liabilities	$83,828	$84,604

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Deferred Service Income

Income under maintenance agreements is deferred and recognized over the term (primarily 1 to 2 years) of the agreements on a straight-line basis.

INTEL CORPORATION (DEC)

(In millions)	1995	1994
Current liabilities:		
Short-term debt	$ 346	$ 517
Accounts payable	864	575
Deferred income on shipments to distributors	304	269
Accrued compensation and benefits	758	588
Accrued advertising	218	108
Other accrued liabilities	328	538
Income taxes payable	801	429
Total current liabilities	$3,619	$3,024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part):

Deferred Income on Shipments to Distributors

Certain of the Company's sales are made to distributors under agreements allowing price protection and/or right of return on merchandise unsold by the distributors. Because of frequent sales price reductions and rapid technological obsolescence in the industry, Intel defers recognition of such sales until the merchandise is sold by the distributors.

THE WASHINGTON POST COMPANY (DEC)

(In thousands)	1995	1994
Current Liabilities		
Accounts payable and accrued liabilities	$172,004	$186,129
Federal and state income taxes	3,494	6,593
Deferred subscription revenue	82,457	80,351
Current portion of long-term debt	50,222	
	$308,177	$273,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Deferred Subscription Revenue and Magazine Subscription Procurement Costs.

Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the subscription term. Deferred subscription revenue to be earned after one year is included in "Other liabilities" in the Consolidated Balance Sheets. Subscription procurement costs are charged to operations as incurred.

Advances/Deposits

JOSTENS INC. (JUN)

(Dollars in thousands)	1995	1994
Current liabilities		
Accounts payable	$ 17,624	$ 33,192
Salaries, wages and commissions	52,544	68,394
Customer deposits	36,367	36,080
Other accrued liabilities	43,820	48,749
Dividends payable	10,005	10,001
Deferred revenue	—	11,820
Income taxes	35,372	14,663
Current maturities on long-term debt	355	495
Total current liabilities	$196,087	$223,394

Product Warranties

CHAMPION ENTERPRISES, INC. (DEC)

(In thousands)	1995	1994
Current Liabilities:		
Accounts payable	$ 33,791	$29,098
Accrued dealer discounts	20,570	16,151
Accrued compensation and payroll taxes	12,886	11,285
Accrued warranty obligations	12,589	8,432
Accrued insurance	5,032	3,804
Deferred portion of purchase price	8,900	2,600
Other liabilities	10,719	7,709
Total current liabilities	$104,487	$79,079

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Warranty Obligations
The Company provides the retail consumer with a twelve-month warranty from the date of retail purchase. Estimated warranty costs are accrued at the time of sale.

PENTAIR, INC. (DEC)

(In thousands)	1995	1994
Current Liabilities		
Accounts payable	$ 90,846	$ 78,065
Notes payable	120,732	—
Compensation and other benefits accruals	68,414	48,657
Income taxes	17,812	2,708
Accrued product claims and warranties	21,684	24,324
Accrued expenses and other liabilities	58,363	61,277
Current maturities of long-term debt	18,950	3,566
Total Current Liabilities	$396,801	$218,597

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.

Advertising

FRUIT OF THE LOOM, INC. (DEC)

(In thousands of dollars)	1995	1994
Current Liabilities		
Current maturity of long-term debt	$ 14,600	$ 23,100
Trade accounts payable	60,100	113,300
Accrued insurance obligations	38,800	23,600
Accrued advertising and promotion	23,800	23,400
Interest payable	16,000	18,300
Accrued payroll and vacation pay	15,300	33,100
Accrued pension	11,300	19,800
Other accounts payable and accrued expenses	123,900	77,200
Total current liabilities	$303,800	$331,800

Billings In Excess of Costs

JOHNSON CONTROLS, INC. (SEP)

(In millions)	1995	1994
Short-term debt	$ 130.2	$ 19.2
Current portion of long-term debt	67.7	24.8
Accounts payable	983.5	814.9
Accrued compensation and benefits	258.5	246.3
Accrued income taxes	35.5	39.4
Billings in excess of costs and earnings on uncompleted contracts	87.8	76.2
Other current liabilities	346.3	295.6
Current liabilities	$1,909.5	$1,516.4

Royalties

THE McGRAW-HILL COMPANIES, INC. (DEC)

(In thousands)	1995	1994
Current liabilities		
Notes payable	$ 71,299	$105,288
Accounts payable	215,179	176,314
Payable to broker-dealers and dealer banks	7,469	21,909
Accrued royalties	63,582	58,707
Accrued compensation and contributions to retirement plans	124,800	114,295
Income taxes currently payable	70,405	54,300
Unearned revenue	241,816	239,715
Other current liabilities	251,909	223,287
Total current liabilities	$1,046,459	$993,815

Rebates

DELUXE CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Current Liabilities		
Accounts payable	$ 75,644	$ 65,033
Accrued liabilities:		
Wages, including vacation pay	51,549	50,366
Employee profit sharing and pension	56,906	57,915
Accrued rebates	31,373	28,741
Other	95,675	72,707
Short-term debt	48,962	11,219
Long-term debt due within one year	8,699	4,479
Total current liabilities	$368,808	$290,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Accrued rebates. The Company enters into contractual agreements for rebates on certain products with its customers. Such amounts are recorded as a reduction to arrive at net sales, and accrued on the balance sheet as incurred.

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* applies to entities having total assets of $150 million or more, and, effective for fiscal years ending after December 15, 1995, to entities having total assets of less than $150 million. The requirements of *SFAS No. 107* do not apply to leases.

482 survey companies, many of which made multiple disclosures, disclosed fair value information for long-term debt. 235 disclosures stated that fair value was determined by quoted market prices. 152 disclosures stated that fair value was determined by the current available borrowing rate. 138 disclosures stated that fair value was determined by the discounted value of future cash flows. 122 disclosures stated that fair value approximated the carrying amount of debt.

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			
	1995	**1994**	**1993**	**1992**
Unsecured				
Notes	430	425	429	424
Debentures	165	183	188	201
Commercial paper	76	73	66	62
Loans	89	71	72	65
Collateralized				
Capitalized leases	291	309	320	340
Notes or loans	84	92	80	83
Mortgages	88	88	96	105
Convertible				
Debentures	54	72	90	103
Notes	20	23	18	21

ARCHER DANIELS MIDLAND COMPANY (JUN)

(In thousands)	1995	1994
Total Current Liabilities	$1,172,385	$1,126,978
Long-term debt	2,070,095	2,021,417

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt and Financing Arrangements

(In thousands)	1995	1994
8.875% Debentures $300 million face amount, due in 2011	$298,216	$298,166
8.125% Debentures $300 million face amount, due in 2012	297,955	297,901
8.375% Debentures $300 million face amount, due in 2017	294,079	293,988
7.125% Debentures $250 million face amount, due in 2013	249,378	249,361
6.25% Notes $250 million face amount, due in 2003	248,998	249,293
Zero Coupon Debt $400 million face amount, due in 2002	160,855	140,768
7% Debentures $250 million face amount, due in 2011	127,017	125,228
6% Bonds 150 million Deutsche Mark face amount, due in 1997	108,424	94,400
10.25% Debentures $100 million face amount, due in 2006	98,693	98,628
Industrial Revenue Bonds at various rates from 5.30% to 13.25% and due in varying amounts to 2011	78,253	79,442
Other	123,841	117,958
Total long-term debt	2,085,709	2,045,133
Less current maturities	(15,614)	(23,716)
	$2,070,095	$2,021,417

At June 30, 1995, the fair value of the Company's long-term debt exceeded the carrying value by $367 million, as estimated by using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Unamortized original issue discounts on the 7% Debentures and Zero Coupon Debt issues are being amortized at 15.35% and 13.80%, respectively. Accelerated amortization of the discounts for tax purposes has the effect of lowering the actual rate of interest to be paid over the remaining lives of the issues to approximately 10.64% and 5.69%, respectively.

The aggregate maturities for long-term debt for the five years after June 30, 1995 are $16 million, $126 million, $34 million, $17 million and $12 million, respectively.

At June 30, 1995 the Company had lines of credit totaling $398 million.

BAKER HUGHES INCORPORATED (SEP)

(In thousands)	1995	1994
Total current liabilities	$580,131	$544,571
Long-term debt	798,352	637,972
Deferred income taxes	118,350	53,841
Postretirement benefits other than pensions	97,187	95,951
Other long-term liabilities	58,965	28,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Indebtedness

Long-term debt at September 30, 1995 and 1994 consisted of the following:

(In thousands)	1995	1994
Commercial Paper with an average interest rate of 6.85% at September 30, 1995	$15,000	
Revolving Credit Facilities due through 1999 with an average interest rate of 8.84% at September 30, 1995	81,961	$47,693
Liquid Yield Option Notes ("LYONS") due May 2008 with a yield to maturity of 3.5% per annum, net of unamortized discount of $140,505 ($149,329 in 1994)	244,745	235,921
7.625% Notes due February 1999 with an effective interest rate of 7.73%, net of unamortized discount of $938 ($1,198 in 1994)	149,062	148,802
4.125% Swiss Franc 200 million Bonds due June 1996 with an effective interest rate of 7.82%	107,896	107,222
8% Notes due May 2004 with an effective interest rate of 8.08%, net of unamortized discount of $1,175 ($1,292 in 1994)	98,825	98,708
Debentures with an effective interest rate of 8.59%, due January 2000	93,000	
Other indebtedness with an average interest rate of 6.73% at September 30, 1995	8,631	14,062
Total debt	799,120	652,408
Less current maturities	768	14,436
Long-term debt	$798,352	$637,972

At September 30, 1995, the Company had $667.1 million of credit facilities with commercial banks, of which $402.4 million is committed. The majority of these facilities expire in 1999. The Company's policy is to classify commercial paper and borrowings under revolving credit facilities as long-term debt since the Company has the ability under certain credit agreements, and the intent, to maintain these obligations for longer than one year. These facilities are subject to normal banking terms and conditions and do not materially restrict the Company's activities.

The LYONS are convertible into the Company's common stock at a conversion price of $34.85 per share, calculated as of November 5, 1995 and increases at an annual rate of 3.5%. At the option of the Company, the LYONS may be redeemed for cash at any time on or after May 5, 1998, at a redemption price equal to the issue price plus accrued original issue discount through the date of redemption. At the option of the holder, the LYONS may be redeemed for cash on May 5, 1998, or on May 5, 2003, for a redemption price equal to the issue price plus accrued original issue discount through the date of redemption.

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, 1995, $45.9 million of the debentures have been considered extinguished through defeasance.

In April 1994, the Company issued debenture purchase warrants for $7.0 million that entitled the holders to purchase $93.0 million of the Company's debentures. In October 1994 through January 1995, all warrants were exercised and $93.0 million of debentures were purchased.

Maturities of long-term debt for the next five years are as follows: 1996, $108.7 million; 1997, $4.5 million; 1998, $1 million; 1999, $190.1 million and 2000, $149.2 million. At September 30, 1995, the 4.125% Swiss Franc 200.0 million Bonds ("SFrBonds") were classified as long-term as the Company has the intent and the ability to refinance them on a long-term basis through available credit facilities.

Note 5 (In Part): Financial Instruments

Except as described below, the estimated fair values of the Company's financial instruments at September 30, 1995 and 1994 approximate their carrying value as reflected in the consolidated statement of financial position. The Company's financial instruments include cash and short-term investments, receivables, investments, payables, debt and interest rate and foreign currency contracts. The fair value of such financial instruments has been estimated based on quoted market prices and the Black-Scholes pricing model.

The estimated fair value of the Company's debt, at September 30, 1995 and 1994 was $886.5 million and $673.6 million, respectively, which differs from the carrying amounts of $801.3 million and $653.3 million, respectively, included in the consolidated statement of financial position. The fair value of the Company's interest rate and currency contracts at September 30, 1995 and 1994, which are designated as hedges to the Company's debt and related interest cost, was $68.7 million and $28.0 million, respectively, which should be considered a reduction to the fair value of the debt mentioned above.

IMC GLOBAL INC. (JUN)

(Dollars in millions)	1995	1994
Total current liabilities	$252.0	$209.4
Long-term debt, less current maturities	515.5	688.1
Deferred income taxes	399.2	372.6
Other noncurrent liabilities	283.7	275.1
Minority interest in consolidated joint venture	479.9	578.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Long-Term Debt

Long-term debt at June 30 consisted of the following:

	1995	1994
9.25% Senior notes, due 2000	$61.6	$111.2
10.125% Senior notes, due 2001	60.4	116.5
10.75% Senior notes, due 2003	54.3	113.6
6.25% Convertible subordinated notes, due 2001	115.0	115.0
9.45% Senior debentures, due 2011	100.0	100.0
7.525% Industrial revenue bonds, due 2015	75.0	75.0
7.7% Industrial revenue bonds, due 2022	26.8	25.6
Other debt	31.2	32.3
	524.3	689.2
Less current maturities	8.8	1.1
	$515.5	$688.1

On June 30, 1995, the estimated fair value of long-term debt described above was approximately the same as the carrying amount of such debt on the Consolidated Balance Sheet. The fair value was calculated in accordance with the requirements of SFAS No. 107, "Disclosures About the Fair Value of Financial Instruments," and was estimated by discounting the future cash flows using rates currently available to the Company for debt instruments with similar terms and remaining maturities.

In 1995, the Company purchased $165.0 million principal amount of its Senior Notes prior to maturity. As a result, the Company recorded an extraordinary loss of $6.5 million, net of taxes, for redemption premium incurred and write-off of previously deferred finance charges in connection with the purchase of such Notes. In 1994, the Company recorded an extraordinary loss of $25.2 million, net of taxes, in connection with the purchase of $220.0 million principal amount of its 11.25 percent Notes and $78.6 million of its Senior Notes.

Under the Company's Working Capital Facility, the Company may borrow up to $100 million for general corporate purposes until June 30, 1996. Borrowings under the Working Capital Facility are limited to $40 million during a specified period in any year and bear interest at rates based on a base rate, a 3-month certificate of deposit rate or an adjusted Eurodollar rate. There is a commitment fee ranging from .25 to .5 percent (depending on the Company's leverage ratio) on the unused portion of the credit line. At June 30, 1995, $29.6 million was drawn down in the form of standby letters of credit principally to support the industrial revenue bonds and other debt and credit risk guarantees. There were no other borrowings under the Working Capital Facility at June 30, 1995.

The Working Capital Facility and the Company's Senior Notes contain provisions which (i) restrict the Company's ability to make capital expenditures and dispose of assets, (ii) limit the payment of dividends or other distributions to stockholders, and (iii) limit the incurrence of additional indebtedness. The working Capital Facility also contains financial ratios and tests which must be met with respect to interest and fixed charged coverage, tangible net worth, working capital and debt to total capitalization. The Company is currently in compliance with all of the covenants in the indentures and other agreements governing its indebtedness.

IMC-Agrico has an agreement with a group of banks to provide it with a $75 million Partnership Working Capital Facility. The Partnership Working Capital Facility which has a letter of credit subfacility for up to $25 million, expires on February 9, 1997. Borrowings under the Partnership Working Capital Facility are unsecured with a negative pledge on substantially all of the Partnership's assets. Borrowings under the Partnership Working Capital Facility bear interest at rates based on a base rate or an adjusted Eurodollar rate. The Partnership Working Capital Facility has minimum net Partners' capital, fixed charge and current ratio requirements, and places limitations on indebtedness of the Partnership and restricts the ability of the Partnership to make cash distributions in excess of Distributable Cash (as defined). At June 30, 1995, the Partnership was in compliance with all of the covenants governing this agreement. There is a .25 percent commitment fee on the unused portion of the credit line. At June 30, 1995, the Partnership had drawn down $12.5 million under the letter of credit subfacility and had no borrowings under the remainder of the Partnership Working Capital Facility.

The Convertible Subordinated Notes are exchangeable for approximately 1.8 million shares of the company's common stock at $63.50 per share.

Scheduled maturities of long-term debt for the next five years are as follows:

1996	$8.8
1997	1.7
1998	1.8
1999	2.0
2000	10.1

LOCKHEED MARTIN CORPORATION (DEC)

(In millions)	1995	1994
Total current liabilities	$5,291	$5,635
Long-term debt	3,010	3,594
Post-retirement benefit liabilities	1,778	1,756
Other liabilities	1,136	978

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Debt

Long-term debt consisted of the following components:

Type (Maturity Dates) *(In millions)*	Range of Interest Rates	1995	1994
NotesPayable:			
Fixed rate			
(1996-2023)	4.5-9.4%	$2,172	$2,215
Variable rate			
(1995)	([a])	—	200
Debentures			
(2011-2025)	7.0-7.9%	828	703
ESOP obligations			
(1996-2004)	8.3-8.4%	355	382
Payment obligations assumed from			
GE (1996)	5.0%	303	310
Other obligations	6.0-9.0%	74	69
		3,732	3,879
Less current maturities		(722)	(285)
		$3,010	$3,594

([a]) Interest rates vary based on the Eurodollar rate.

During the second quarter of 1995, the Corporation retired $200 million of variable rate Notes Payable and $43 million of fixed rate Notes Payable. During the fourth quarter, Martin Marietta Materials, Inc. (Materials), a public company owned 81% by the Corporation, issued $125 million of 7% debentures due in 2025.

Included in Notes Payable are $300 million of 9.375% notes due in 1999 which stipulate that, in the event of both a "designated event" and a related "rating decline" occurring within a specified period of time, holders of the notes may require the Corporation to redeem the notes and pay accrued interest. In general, a "designated event" occurs when any one of certain ownership, control, or capitalization changes takes place. A "rating decline" occurs when the ratings assigned to the Corporation's debt are reduced below investment-grade levels.

Included in Debentures are $150 million of 7.75% obligations which may be redeemed by the Corporation at specified prices on or after April 15, 2003. Also included in Debentures are $103 million of 7% obligations ($175 million at face value) which were originally sold at approximately 54% of their principal amount. These debentures, which are redeemable in whole or in part at the Corporation's options at 100% of their face value, have an effective yield of 13.25%.

A leveraged ESOP incorporated into the Lockheed Salaried Savings Plan (401(k)) (see Note 12) borrowed $500 million through a private placement of notes in 1989. These notes are being repaid in quarterly installments over terms ending in 2004. The ESOP note agreement stipulates that, in the event that the ratings assigned to the Corporation's long-term senior unsecured debt are below investment grade, holders of the notes may require the Corporation to purchase the notes and pay accrued interest. These notes are obligations of the ESOP but guaranteed by the Corporation and are reported as debt on the Corporation's consolidated balance sheet.

The Corporation's long-term debt maturities for the five years following December 31, 1995, are: $722 million in 1996; $166 million in 1997; $374 million in 1998; $350 million in 1999; $44 million in 2000 and $2,076 million thereafter.

Certain of the financing agreements of the Corporation contain certain restrictive covenants relating to debt, requirements for limitations on encumbrances and on sale and lease-back transactions, and provisions which relate to certain changes in control.

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," require the disclosure of the fair value of financial instruments, both assets and liabilities recognized and not recognized on the consolidated balance sheet, for which it is practicable to estimate fair value. Unless otherwise indicated elsewhere in the notes to the consolidated financial statements, the carrying value of the Corporation's financial instruments approximates fair value. The estimated fair values of the Corporation's long-term debt instruments at December 31, 1995, aggregated approximately $4.0 billion, compared with a carrying amount of approximately $3.7 billion on the consolidated balance sheet. The fair values were estimated based on quoted market prices for those instruments publicly traded. For privately placed debt, the fair values were estimated based on the quoted market prices for the same or similar issues, or on current rates offered to the Corporation for debt of the same remaining maturities.

On March 15, 1995, the Corporation entered into a revolving credit agreement (the Credit Agreement) with a group of domestic and foreign banks. The Credit Agreement makes available $1.5 billion through March 14, 2000. Borrowings under the Credit Agreement would be unsecured and bear interest, at the Corporation's option, at rates based on the Eurodollar rate or a bank base rate (as defined). The Credit Agreement contains a financial covenant relating to leverage, and provisions which relate to certain changes in control. There have been no borrowings under the Credit Agreement.

Interest payments were $275 million in 1995, $276 million in 1994 and $262 million in 1993.

LORAL CORPORATION (MAR)

(In thousands)	1995	1994
Total current liabilities	$1,016,367	$1,290,167
Postretirement benefits	611,911	639,266
Other liabilities	178,798	241,368
Long-term debt (Note 5)	1,315,530	1,624,061

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Debt

	March 31,	
(In thousands)	1995	1994
Commercial paper (6.22% and 3.76% at March 31, 1995 and 1994, respectively	$241,811	$1,373,548
7% Senior Notes due 2004	250,000	
9% Senior Debentures due 2022	100,000	100,000
8% Senior Debentures due 2023	100,000	100,000
7% Senior Debentures due 2023	200,000	200,000
8% Senior Debentures due 2024	400,000	
Other	24,677	24,441
	1,316,488	1,797,989
Less current maturities	958	173,928
Total long-term debt	$1,315,530	$1,624,061

The aggregate maturities of long-term debt, excluding commercial paper borrowings classified as long-term, for the years 1996 through 2000 are as follows: $958,000, $10,868,000, $1,214,000, $985,000 and $941,000.

At March 31, 1995, the Company has a $1,200,000,000 revolving credit facility with a group of banks expiring in November 1999. This facility supports the Company's commercial paper borrowings and is available for other corporate purposes. The amount available for borrowings is reduced by the outstanding commercial paper. Borrowings are unsecured and bear interest, at the Company's option, at various rates based on the base rate, or on margins over the CD rate or EuroDollar rate. The Company pays a commitment fee on the unused portion. The margins and the commitment fee are subject to adjustment. Borrowings are prepayable at any time and are due at expiration. The facility is subject to financial covenants requiring the Company to maintain certain levels of net worth and an interest coverage ratio, as well as a limitation on indebtedness and dividends.

Commercial paper outstanding at March 31, 1995 is classified as long-term since the Company intends to refinance these borrowings on a long-term basis either through continued commercial paper borrowings or utilization of the available credit facilities.

In May 1994, the Company increased its existing shelf registration statement to issue up to $800,000,000 of debt and equity securities. In June 1994, the Company issued $250,000,000 7% Senior Notes due 2004 and $400,000,000 8% Senior Debentures due 2024. The proceeds were used to reduce outstanding commercial paper. The Company has no immediate plans to utilize the remaining balance of $150,000,000 available under the shelf registration statement.

All of the Company's Senior Notes and Senior Debentures are not redeemable prior to maturity and are not subject to any sinking fund requirements.

In Fiscal 1993, the Company recorded an extraordinary charge of $28,216,000 pre-tax, $17,776,000 after-tax, or $.23 per share for the early redemption of certain long-term debt issues and the cancellation of an existing credit facility. The extraordinary charge consisted of redemption premiums and the write-off of unamortized discounts and financing costs. In addition, in fiscal 1993, the Company issued 3,149,710 shares of Loral Common Stock in connection with the conversion of $69,694,000 principal amount of certain convertible debentures.

10 (In Part): Financial Instruments

The Company's financial instruments recorded on the balance sheet include cash and cash equivalents and debt. Due to their short maturity, the fair value of cash and cash equivalents approximates carrying value. The fair value of the Company's debt, based on quoted market prices or current rates for similar instruments with the same maturities, was approximately $1,262,841,000 and $1,777,667,000 at March 31, 1995 and 1994, respectively.

MARK IV INDUSTRIES, INC. (FEB)

(Dollars in thousands)	1995	1994
Total current liabilities	$425,300	$269,900
Long-term debt:		
Senior debt	352,700	195,000
Subordinated debt	258,000	372,20
Total long-term debt	610,700	567,200
Other non-current liabilities	174,900	99,800

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Long-Term Debt

Long-term debt consists of the following at February 28, 1995 and 1994 (dollars in thousands):

	1995	1994
Senior debt:		
Credit agreement	$300,000	$140,000
Multi-currency agreement	38,300	48,400
Other items	42,500	40,500
Total	380,800	228,900
Less current maturities	(8,600)	(5,800)
Less amounts allocated to discontinued operations	(19,500)	(28,100)
Net senior debt	352,700	195,000
Subordinated debt:		
8% Senior Subordinated Notes	258,000	258,000
6% Convertible Debentures	—	114,200
Total subordinated debt	258,000	372,200
Total long-term debt	610,700	567,200
Total stockholders' equity	635,500	345,400
Total capitalization	$1,246,200	$912,600
Long-term debt as a percentage of total capitalization	49.0%	62.2%

In November 1994, the company entered into a new $650,000,000 credit agreement (the "1994 Credit Agreement") with a group of financial institutions which provides for (i) a five-year term loan in the principal amount of approximately $300,000,000 used to finance the acquisition of Purolator and to repay certain existing Purolator debt, and (ii) a five-year revolving credit facility in an amount of up to $350,000,000 used for refinancing the company's previously existing credit facility (the "1993 Credit Facility") and certain existing Purolator debt, and for working capital and other general corporate purposes.

The loans outstanding under the 1994 Credit Agreement bear interest, at the company's option, at (i) the reference rate of the agent acting on behalf of the financial institutions, or (ii) under a LIBOR option, with borrowing spreads of LIBOR plus 0.55% to LIBOR plus 1.00% depending on the company's consolidated leverage ratio (as defined in the 1994 Credit Agreement). The company is currently paying interest on the loan at LIBOR plus 0.55% per annum. The 1994 Credit Agreement contains certain affirmative and negative covenants customary for this type of agreement and is guaranteed by all of the company's significant domestic subsidiaries. All such guarantees are collateralized by first priority pledges of all outstanding capital stock of each guarantor subsidiary.

In October 1994, the company entered into agreements with certain holders of its 6% Convertible Debentures due February 15, 2011 to convert approximately $76,700,000 of the debentures into approximately 5,600,000 shares of the company's common stock. In January 1995, the company called for redemption the $37,500,000 remaining principal amount of these debentures. As a result of the call for redemption, substantially all of the debentures were voluntarily converted into 2,700,000 shares of the company's common stock. The principal amount of converted debt, as well as related unamortized deferred charges, have been reclassified to common stock and additional paid-in capital.

In May 1993, the company entered into a revolving credit agreement (as amended in January 1995, the "Multi-currency Agreement") providing for a five year multi-currency revolving credit facility with a group of financial institutions in the U.S. and Europe. The Multi-Currency Agreement provides for a revolving loan commitment for the first two years of the equivalent of $100,000,000. The commitment declines by $12,500,000 at each of six semi-annual dates beginning in June 1995, with the remaining $25,000,000 of commitment expiring in May 1998. Interest rates on borrowings under the Multi-Currency Agreement are subject to change based on a specified pricing grid which increases from LIBOR plus 0.55% to LIBOR plus 1.00% per annum based on the company's senior debt rating (as defined in the Multi-Currency Agreement). The company is currently paying interest at LIBOR plus 0.55% on borrowings under the Multi-Currency Agreement. The Multi-Currency Agreement also contains certain affirmative and negative covenants customary in an agreement of this nature.

In March 1993, the company completed a public offering of $258,000,000 principal amount of its 8% Senior Subordinated Notes due April 2003. A substantial portion of the net proceeds from the sale of the notes was used to fund the retirement of the company's 13% Subordinated Debentures. There are no sinking fund requirements on the Senior Subordinated Notes and they may not be redeemed until April 1998. At such date they are redeemable at 104.375% of principal amount, and thereafter at an annually declining premium over par until April 2001 when they are redeemable at par. The Indenture limits the payment of dividends and the repurchase of capital stock, and includes certain other restrictions and limitations customary with subordinated indebtedness of this type.

In March 1993, the company offered to purchase its 13% Subordinated Debentures for a cash price of $1,137.50 per $1,000 principal amount, plus accrued interest. As a result of the offer, and certain open-market purchases, the company acquired approximately $138,000,000 principal amount of these debentures. The company then completed an "in-substance defeasance" in which approximately $60,400,000 was deposited in an irrevocable trust to cover both the remaining outstanding principal amount ($52,000,000) and the related interest expense requirements of these debentures. The company recognized an extraordinary loss, net of tax, of approximately $21,700,000 as a result of the extinguishment of this debt in fiscal 1994. The company also acquired or defeased approximately $63,000,000 of its indebtedness and recognized an extraordinary loss, net of tax, of $3,700,000 in fiscal 1993.

The fair value of the 8% Senior Subordinated Notes is less than their recorded value by approximately $9,000,000 as of February 28, 1995, based upon the quoted market value of such notes as of that date. Since the rest of the company's notes payable and senior debt are primarily floating rate debt, their recorded amounts approximate their fair values as of February 28, 1995. The recorded amounts for other financial instruments, such as cash and accounts receivable, approximate their fair value.

Annual maturities of the company's long-term debt for the next five fiscal years are approximately: 1996, $8,600,000; 1997, $4,200,000; 1998, $17,100,000; 1999, $27,000,000; and 2000, $312,700,000. The amounts for fiscal 1996 through 1999 exclude maturities related to the term loan portion of the 1994 Credit Agreement as it is anticipated that such amounts will be offset with availability under the revolving credit facility portion of such agreement until maturity in 2000, by which date it is anticipated that the agreement will have been extended, or replaced.

RYKOFF-SEXTON, INC. (APR)

(Dollars in thousands)	1995	1994
Total current liabilities	$157,823	$129,426
Non-current liabilities		
Long-term debt, less current portion	146,536	151,227
Deferred income taxes	11,073	6,324
Other long-term liabilities	2,096	9,734

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Long-Term Debt and Borrowing Arrangements

The long-term debt of the Company as of April 29, 1995 and April 30, 1994 is summarized as follows:

(Dollars in thousands)	1995	1994
8% Senior Subordinated Notes due in 2003, net of unamortized discount of $954 in 1995 and $1,024 in 1994	$129,046	$128,976
Bank credit agreement	14,000	21,000
Note payable	2,425	—
Mortgage notes	1,103	1,189
Other	151	361
Total debt	146,725	151,526
Less-current portion	189	299
Long-term debt, less current portion	$146,536	$151,227

In November 1993, the Company issued $130 million of 8% Senior Subordinated Notes (the "8% Notes") due November 1, 2003 with interest payable semiannually commencing May 1, 1994. the 8% Notes were sold at a discount for an aggregate price of $128.9 million. Provisions of the 8% Notes include, without limitation, restrictions of liens, indebtedness, asset sales, and dividends and other restricted payments. The 8% Notes are redeemable at the option of the Company, in whole or in part, at 104.44% of their principal amount beginning November

1998, and thereafter at prices declining annually to 100% on and after November 2001. In addition, upon the occurrence of an event that constitutes a Change of Control (as defined in the indenture for such notes), each holder of the 8% Notes may require the Company to repurchase all or a portion of such holder's 8% Notes at a purchase price equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of the repurchase. The 8% Notes are not subject to any sinking fund requirements.

Concurrently with the sale of the 8% Notes, the Company obtained a $100 million credit line expiring on August 31, 1996 and a $15 million letter of credit facility expiring on August 31, 1994 from its bank (the "New Credit Facility"). The letter of credit facility has since been increased to $25 million (expiring on August 31, 1996) of which approximately $7.1 million was available as of April 29, 1995. Under the New Credit Facility, the credit line is unsecured and bears interest based on the bank's reference rate, the interbank offshore rate, certificate of deposit rate or fixed rate at the option of the Company. The provisions of the New Credit Facility include restrictions on secured indebtedness, asset sales, acquisitions or mergers and dividends. Under the New Credit Facility, the Company is also required to meet certain financial tests which include those relating to the maintenance of a minimum net worth, minimum net tangible assets, a minimum fixed charge coverage ratio, a minimum tangible assets to funded debt ratio and a minimum current ratio (each as defined in the New Credit Facility). In addition to customary provisions relating to events of default, the New Credit Facility provides that an event of default will occur upon a Change of Control (as defined in the indenture for the 8% Notes).

The proceeds from the issuance of the 8% Notes, together with borrowings under the New Credit Facility, were used to retire $128.1 million principal amount of 8.60% Senior Notes and outstanding senior indebtedness under the prior bank credit facility.

As part of the aggregate purchase price of the acquisition more fully described in Note 2, the Company issued an unsecured promissory note in the amount of $2,425,000. The promissory note accrues interest at a variable rate, requires quarterly interest payments and matures on February 21, 1997.

Scheduled aggregate annual payments of long-term debt are $189,000 for 1996, $16,472,000 for 1997, $47,000 for 1998, $52,000 for 1999, $57,000 for 2000 and $129,908,000 thereafter.

Based on the borrowing rates currently available to the Company for debt with similar terms and maturities, the fair value of long-term debt is $144,278,000 as of April 29, 1995.

SEAGATE TECHNOLOGY (JUN)

(In thousands)	1995	1994
Total Current Liabilities	$ 909,746	$ 702,784
Deferred income taxes	244,731	218,801
Other liabilities	125,143	78,054
Long-term debt, less current portion	539,874	549,492
Total Liabilities	$1,819,494	$1,549,131

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

Financial Instruments (In Part):

Fair Value Disclosures

The carrying value of cash and cash equivalents approximates fair value. The fair values of short-term investments, convertible subordinated debentures (see Long-Term Debt and Lines of Credit note) and foreign currency forward exchange and option contracts are estimated based on quoted market prices. The fair value of the Company's 7.7% note payable approximated its carrying value.

The carrying values and fair values of the Company's financial instruments are as follows:

	June 30, 1995		July 1, 1994	
(In thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$702,194	$702,194	$804,717	$804,717
Short-term investments	544,432	544,432	528,825	528,825
5% convertible subordinated debentures	270,750	422,370	270,750	249,090
6% convertible subordinated debentures	266,838	280,180	266,838	224,811
7.7% note payable	10,000	10,000	10,000	10,000
Foreign currency forward exchange and option contracts	—	(4,142)	—	(946)

Long-Term Debt and Lines of Credit

Long-term debt consisted of the following:

(In thousands)	1995	1994
6% convertible subordinated debentures, due 2012	$266,838	$266,838
5% convertible subordinated debentures, due 2003	270,750	270,750
7.7% note payable to Ceridian Corporation, due October 1995	10,000	10,000
Capitalized lease obligations with interest at 14% to 19.25% collateralized by certain manufacturing equipment and buildings	2,847	2,072
	550,435	549,660
Less: Current portion	10,561	168
	$539,874	$549,492

At June 30, 1995, future minimum principal payments on long-term debt and capitalized lease obligations were as follows:

(In thousands)	
1996	$10,561
1997	253
1998	103
1999	27
2000	3
After 2000	539,488
	$550,435

The Company's 6% convertible subordinated debentures due 2012 are convertible into 6,278,541 shares of common stock at $42.50 per share at any time prior to maturity. Sinking fund payments begin in 1998 in an amount sufficient to retire annually 5% of the aggregate principal amount of debentures issued, calculated to retire 70% of the debentures prior to maturity.

The Company's 5% convertible subordinated debentures due 2003 are convertible into 10,314,286 shares of common stock at $26.25 per share at any time prior to maturity. Subsequent to November 2, 1996 the debentures are redeemable at the option of the Company, in whole or in part, initially at 103.5% and thereafter at prices declining to 100% at maturity, together with accrued interest. These debentures were issued in an offering not registered or required to be registered under the U.S. Securities Act of 1933, as amended, and therefore were offered only to "qualified institutional buyers" and "accredited investors" as defined by the applicable Securities and Exchange Commission regulations. These debentures are traded in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market. In 1994 holders of the 5% convertible subordinated debentures due 2003 exercised their registration rights with respect to the shares of common stock of the Company into which such debentures are convertible. In 1995 the Company filed a registration statement under the Securities Act of 1933, as amended, to register such shares of common stock.

At June 30, 1995, the fair value of the Company's 6% convertible subordinated debentures, based on the New York Stock Exchange quoted market price, was approximately $280,180,000. At June 30, 1995, the fair value of the Company's 5% convertible subordinated debentures was approximately $422,370,000 based on the quoted market price from brokers of these securities. The aggregate fair value of the Company's other long-term debt approximated its carrying value at June 30, 1995.

The Company maintains an unsecured domestic credit facility consisting of a $50 million line of credit under a credit agreement with four banks which expires in June 1997. Borrowings under this agreement bear interest, as defined in the agreement, at (1) the higher of the agent bank's prime rate (9% at June 30, 1995) or the federal funds rate or (2) at the option of the Company, an adjusted certificate of deposit rate or the London Interbank Offered Rate. The credit agreement provides for a commitment fee and restrictions on dividend payments and includes certain financial covenants.

Through its overseas subsidiaries, the Company has short-term credit and overdraft borrowing facilities totaling approximately $33 million. Additionally, the Company had approximately $27 million in lines of credit worldwide which can be used for letters of credit and bankers' guarantees, but not borrowings. Any borrowings or other utilization under these facilities are guaranteed by the parent company. For virtually all of the borrowing lines, interest is at the banks' prime rates.

While there were no borrowings under these lines of credit at June 30, 1995, portions of the credit lines had been utilized to cover outstanding letters of credit and bank guarantees as required in various supplier agreements, and for forward purchases and sales of foreign currencies. As of June 30, 1995 the Company had available to it combined unused borrowing capacity of $69 million under its lines of credit worldwide.

THORN APPLE VALLEY, INC. (MAY)

	1995	1994
Total current liabilities	$66,328,131	$58,831,030
Long-term debt (Note 6)	35,464,669	27,936,985
Deferred income taxes	3,908,000	2,504,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Long-term Debt

Long-term debt consists of the following.

	1995	1994
A. Notes	$23,000,000	$15,000,000
B. Industrial revenue bonds	9,785,733	10,425,000
C. Promissory note	1,682,942	1,994,025
D. Obligations under capital leases	4,096,304	2,214,251
E. Other long-term debt with varying terms and maturities		4,800
	38,564,979	29,638,076
Less current portion	3,100,310	1,701,091
	$35,464,669	$27,936,985

A. At May 26, 1995 the outstanding balance consisted of two separate issues of unsecured notes in private placements to an institutional investor. The first outstanding issue is at $15,000,000 bearing interest at a fixed rate of 6.45% per annum. The principal on the notes is due in equal annual installments of $1,666,666 beginning April 1, 1998, and ending April 1, 2005, with the remaining principal payable at maturity on April 26, 2006. The second outstanding issue, completed during fiscal 1995, is at $8,000,000 bearing interest at a fixed rate of 8.42% per annum, having a maturity of nine years. Interest is payable semi-annually on the first day of April and October of each year, beginning April 1, 1995. The principal on the notes is due at maturity on October 1, 2003.

The Company is required, pursuant to the terms and covenants of the unsecured notes agreements, to maintain a minimum level of consolidated tangible net worth.

B. At May 26, 1995, the outstanding principal balance of the industrial revenue bonds consisted of three separate bond issues. The first outstanding issue is at $3,112,500 with varying quarterly principal payments due July 1, 1995 through January 1, 2000, and quarterly interest at 81.042% of the current prime rate (Prime at May 26, 1995 was 9%). The second outstanding issue is at $1,173,233 with varying monthly payments through January 1, 2002, which include interest at 85% of the current prime rate. The entire outstanding balance of the second bond issue has been reclassified as a current liability as the Company anticipates repaying it during fiscal 1996 upon the subsequent sale of a portion of the Tri-Miller facility resulting from the plant closure as previously announced. (See Note 12). The third outstanding issue, entered into during fiscal 1994, is at $5,500,000 with monthly interest payments at a variable rate and the principal due on December 1, 2005. The variable rate of interest paid on the third issue during the month of May 1995, averaged 4.99%.

The first and second bond issues are collateralized by property, plant and equipment, while the third bond issue is collateralized by a $5,600,000 letter of credit.

The Company is required, pursuant to the terms of an industrial revenue bond and limited obligation revenue bond agreement, to maintain a minimum level of consolidated tangible net worth.

C. During fiscal 1993, the Company financed an investment of $2,115,000 in a limited partnership in properties qualifying for low income housing tax credits. Annual varying principal payments are due April 1, 1996 through April 1, 1998. The effective interest rate is 8.47%.

D. The obligations under capital leases are at fixed interest rates ranging from 5.5% to 10.55% and are collateralized by property, plant and equipment.

Property under capital leases consists of the following:

	1995	1994
Machinery and equipment	$7,428,634	$3,787,218
Less accumulated amortization	2,752,543	2,096,025
	$4,676,091	$1,691,193

Future minimum rentals for property under capital leases are as follows:

Year Ending	Amount
1996	$1,342,374
1997	1,147,106
1998	1,053,257
1999	599,410
2000	564,196
Thereafter	131,130
Total minimum lease obligation	4,837,473
Less interest	741,169
Present value of total minimum lease obligation	$4,096,304

Additionally, on May 30, 1995, the Company issued $42,500,000 of long-term unsecured notes in a private placement in conjunction with the acquisition of certain assets of the retail division of Foodbrands America, Inc. (See Note 12).

The aggregate maturities of long-term debt (excluding obligations under capital leases) during the five years subsequent to May 26, 1995 are: 1996, $2,073,169; 1997, $948,520; 1998, $3,338,652; 1999, $2,379,166; 2000, $2,229,166.

The fair value of the Company's long-term debt approximates the carrying amount based on the current rates offered to the Company on similar debt.

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

	1995	1994	1993	1992
Disclosing credit agreements	547	541	543	539
Not disclosing credit agreements	53	59	57	61
Total Companies	**600**	**600**	**600**	**600**

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Line of Credit and Letters of Credit

The Company has a line of credit agreement expiring June 30, 1995, which provides for unsecured borrowings of up to $8,000,000 at the prime rate. The Company had only nominal temporary borrowings under the line of credit agreement during the year ended February 24, 1995, and did not borrow during the year ended February 25, 1994. The terms of the line of credit agreement contain, among other provisions, requirements for maintaining defined levels of working capital, net worth, annual capital expenditures and a debt-to-equity ratio. The agreement also requires an annual commitment fee of approximately $50,000.

At February 24, 1995, standby letters of credit of approximately $12,800,000 have been issued under an agreement, expiring June 30, 1995, which is being maintained as security for performance and advances received on long-term contracts, and as security for debt service payments under industrial revenue bond loan agreements. The agreement provides a maximum commitment for letters of credit of $14,500,000 and requires an annual commitment fee of approximately $73,000.

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G (In Part): Debt

The Company may borrow up to $250,000,000 at floating rates under the terms of a revolving credit and term loan facility. The agreement contains provisions regarding minimum net worth requirements and certain indebtedness limitations which would limit the amount available for future borrowings. Commitment fees are paid based on the used and unused portions of the facility. The facility is available through January 13, 2000. No amounts were outstanding under this credit agreement at September 30, 1995 or 1994.

CINCINNATI MILACRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lines of Credit

At year-end 1995, the company had lines of credit with various U.S. and non-U.S. banks of approximately $370 million, including a $150 million committed revolving credit facility. These credit facilities support letters of credit and leases in addition to providing borrowings under varying terms. In May, 1995, the term of the revolving credit facility was extended from July, 1996 to June, 1998, and, at the company's request, the amount of credit available thereunder was reduced from $200 million to $150 million in order to reduce the amount of commitment fees payable by the company. As amended, the facility required a facility fee of .5% per annum on the total $150 million revolving loan commitment and imposed restrictions on total indebtedness in relation to total capital. Based on these restrictions, the company's additional borrowing capacity totaled approximately $192 million at year-end 1995. In January, 1996, the facility was further amended in connection with the acquisition of D-M-E (see Subsequent Events).

The weighted average interest rate on short-term borrowings outstanding as of year-end 1995 and 1994 was 6.5% and 7.3%, respectively.

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Long-Term Debt

(In thousands)	1996	1995
10% senior notes due February 2003	75,000	75,000
Current portion	—	—
Total Noncurrent Portion of Long-Term Debt	$75,000	$75,000

Revolving Credit Agreements:
On January 5, 1996, the Company entered into a revolving credit agreement with two banks providing for loans or letters of credit of up to $35 million. The agreement expires January 5, 1999. This agreement replaced a $50 million revolving credit agreement providing for loans or lines of credit. Outstanding letters of credit at January 31, 1996 were $8 million.

Under the new revolving credit agreement, the Company may borrow at the prime rate or LIBOR plus 2.0% which may be changed if the Company's debt rating is improved. Facility fees are 0.5% per annum on each bank's committed amount of $35,000,000. The new credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage, debt to equity and interest coverage ratios. The Company is required by the

new credit agreement to reduce the outstanding principal balance of the revolving loans to zero for 45 consecutive days during each period beginning on December 15 of any Fiscal Year and ending on April 15 of the following Fiscal Year (commencing with the period beginning December 15, 1995 and ending on April 15, 1996). The revolving credit agreement contains other covenants which restrict the payment of dividends and other payments with respect to capital stock and annual capital expenditures are limited to $12,000,000 for Fiscal 1997 and $14,000,000 thereafter subject to possible carryforwards from the previous year of up to $2,000,000 if less is spent in the current year. The Company was in compliance with the financial covenants contained in the revolving credit agreement at January 31, 1996.

10% Senior Notes due 2003:

On February 1, 1993, the Company issued $75 million of 10% senior notes due February 1, 2003.

The fair value of the Company's 10% senior notes, based on the quoted market price on January 31, 1996, is $69,656,250.

The indenture under which the notes were issued limits the incurrence of indebtedness, the making of restricted payments, the restricting of subsidiary dividends, transactions with affiliates, liens, sales of assets and transactions involving mergers, sales or consolidation.

HARRIS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Agreements

The Corporation maintains revolving credit agreements which provide for borrowing up to $500.0 million until May 1, 2000. These agreements provide for advances under a competitive advance facility and a committed facility at various interest rates, but in no event above LIBOR plus 0.225 percent. A facility fee of 0.125 percent per annum is payable on the credit. The Corporation is not required to maintain compensating balances in connection with these agreements. Under these agreements, $160.0 million was outstanding at June 30, 1995, $150.0 million of which has been classified as long-term based on the Corporation's intent to maintain borrowings of at least that amount for the next year.

The Corporation also has lines of credit for short-term financing aggregating $142.6 million from various U.S. and foreign banks, of which $105.8 million was available on June 30, 1995. These arrangements provide for borrowing at various interest rates, are reviewed annually for renewal, and may be used on such terms as the Corporation and the banks mutually agree. These lines do not require compensating balances.

Short-term debt is summarized below:

(In millions)	1995	1994
Bank notes	$33.1	$14.5
Other	4.6	5.3
	$37.7	$19.8

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Long-Term Debt and Credit Agreement

Revolving Credit Agreement

On October 1, 1995, the Company amended the terms of its unsecured revolving and term loan facility (the Agreement). Under the amended terms, the Company can borrow up to $55.0 million. Amounts may be borrowed on a revolving credit basis through July 31, 1998, and are repayable in eight quarterly installments beginning on October 31, 1998. Borrowings bear interest at floating rates depending on the type of advance. The Company may select fixed interest rates for up to six months at a range of LIBOR +.8%, or the CD rate +.8% to LIBOR +1.55% or the CD rate +1.55%, depending on the level of outstanding borrowings. During the commitment period, the Company is obligated to pay an annual fee of $178,750. The Agreement contains certain restrictive covenants, the most restrictive of which relate to maintenance of a current ratio, fixed charge coverage ratio and limitations on the issuance of additional indebtedness. To maintain compliance with the covenants of the Agreement, the Company must maintain a 1.5 to 1.0 current ratio and maintain a defined fixed charge coverage ratio of 1.5 to 1.0. As of December 31, 1995, the Company was in compliance with all restrictive covenants of the Agreement. Amounts available under the Agreement are based on a debt to cash flow calculation which must not exceed a maximum of 4.0 to 1.0. At December 31, 1995, there was $35.0 million in borrowings outstanding under the Agreement.

On February 7, 1996, the Company entered into a second amendment to the Agreement whereby it will continue to be able to borrow up to $55.0 million. Under the amended terms, the Company will continue to be able to select a floating rate based on the primary bank's prime interest rate or fixed interest rates for up to six months. The revised fixed interest rates are based on LIBOR or the CD rate and range from LIBOR +1.175% or the CD rate +1.175%, to LIBOR +1.775% or the CD rate +1.775%, depending on the level of outstanding borrowings. The amended terms provide for the Agreement to be collateralized, including the pledging of 100% of the stock of certain of the Company's subsidiaries and providing the lenders under the Agreement a security interest in accounts receivable. To maintain compliance with the covenants of the Agreement, the Company must maintain a 1.5 to 1.0 current ratio and a defined fixed charge coverage ratio of 1.2 to 1.0 through June 30, 1997, then 1.5 to 1.0 thereafter. In addition, the Company must maintain a minimum tangible net worth of $150 million plus 50% of net income earned, and 100% of equity raised after December 31, 1995. Amounts available under the amended Agreement are based on a debt to cash flow calculation, which must not exceed a maximum of 3.75 to 1.0 through December 31, 1996, then 3.5 to 1.0 through December 31, 1997, then 3.0 to 1.0 thereafter.

LONE STAR INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

10. Credit Agreement

Upon emergence from Chapter 11, the Company entered into a three-year $35,000,000 revolving credit agreement which is collateralized by inventory, receivables, collection proceeds and certain intangible assets. The Company's borrowings under the agreement are limited to 55% of eligible inventory plus 85% of eligible receivables. The agreement was subsequently amended in April, November and December 1995. The amendments reduced the rates of interest under the agreement and increased the amounts allowed for capital expenditures and certain other payments. The advances under the agreement bear interest at a rate of either prime plus 0.5% or LIBOR plus 2.25%, at the Company's option. A fee of 0.375% per annum is charged on the unused portion of the line. Although the Company from time to time has used the letter of credit facility provided by the credit agreement, it has not drawn any funds under the credit agreement for working capital purposes. Accordingly, there was no outstanding balance as of December 31, 1995.

The credit agreement and other agreements entered into in connection with the reorganization, impose certain operating and financial restrictions on the Company. Such restrictions affect, and in some respects limit or prohibit, among other things, the ability of the Company to incur additional indebtedness, repay certain indebtedness prior to its stated maturity, create liens, engage in mergers and acquisitions, make certain capital expenditures or pay dividends. In addition, pursuant to the credit agreement and other agreements entered into in connection with the reorganization certain of the Company's assets are subject to liens or negative pledges.

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. 53 survey companies reported lessor leases.

Examples of long-term lease presentations and disclosure follow.

TABLE 2-28: LONG-TERM LEASES

	Number of Companies			
	1995	**1994**	**1993**	**1992**
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	499	498	493	490
Contingent	56	57	59	66
Sublease	79	77	69	75
Minimum rental payments				
Schedule of	505	493	490	479
Classified by major categories of property	23	18	23	26
Information Disclosed as to Capitalized Leases				
Minimum lease payments	123	145	149	164
Imputed interest	104	126	137	158
Leased assets by major classifications	37	56	50	51
Executory costs	20	27	32	31
Number of Companies				
Capitalized and noncapitalized leases	264	279	292	308
Noncapitalized leases only	255	235	224	194
Capitalized leases only	27	30	28	32
No leases disclosed	54	56	56	66
Total Companies	**600**	**600**	**600**	**600**

Lessee—Capital Leases

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of dollars)

Note 11. Lease Commitments

Certain non-cancelable leases are classified as capital leases, and the leased assets are included as part of "Properties, plant and equipment." Other leases are classified as operating leases and are not capitalized. Details of the capitalized leased assets are as follows:

	At December 31	
	1995	1994
Petroleum		
Exploration and production	$ 46	$ 45
Refining, marketing and transportation	833	618
	879	663
Less: accumulated amortization	403	398
Net capitalized leased assets	$476	$265

At December 31, 1995, the future minimum lease payments under operating and capital leases are as follows:

	At December 31	
Year	Operating Leases	Capital Leases
1996	$142	$ 90
1997	130	86
1998	106	84
1999	96	75
2000	93	65
Thereafter	131	885
Total	$698	$1,285
Less: amounts representing interest and executory costs		(582)
Net present values		703
Less: capital lease obligations included in short-term debt		(315)
Long-term capital lease obligations		$ 388
Future sublease rental income	$ 37	$ —

Rental expenses incurred for operating leases during 1995, 1994 and 1993 were as follows:

	Year ended December 31		
	1995	1994	1993
Minimum rentals	$403	$410	$452
Contingent rentals	9	7	9
Total	412	417	461
Less: sublease rental income	14	14	15
Net rental expense	$398	$403	$446

Contingent rentals are based on factors other than the passage of time, principally sales volumes at leased service stations. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, renewal options ranging from one to 25 years and/or options to purchase the leased property during or at the end of the initial lease period for the fair market value at that time.

DONALDSON COMPANY, INC. (JUL)

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.

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
Machine and equipment	3 to 10 years

Note E. Capitalized Leases

The Company leases several production facilities under long-term leases and has the option to purchase the facilities for a nominal cost at the termination of the lease.

Included in property, plant and equipment are the following assets held under capital leases:

(Thousands of dollars)	1995	1994
Land	$ 121	$ 157
Buildings	5,894	6,384
Machinery and equipment	550	1,098
Subtotal	6,565	7,639
Less accumulated amortization	2,568	3,252
Total	$3,997	$4,387

Future minimum lease payments for assets under capital leases at July 31, 1995 are as follows:

(Thousands of dollars)	
1996	$ 827
1997	828
1998	828
1999	827
2000	757
Thereafter	4,041
Total minimum lease payments	8,108
Less amount representing interest	2,529
Present value of net minimum lease payments	5,579
Less current maturities	378
Long-Term Obligation	$5,201

THE NEW YORK TIMES COMPANY (DEC)

(Dollars in thousands)	1995	1994
Current Liabilities		
Accounts payable	$156,722	$121,504
Accrued payroll	74,560	67,012
Accrued expenses	200,576	182,338
Unexpired subscriptions	81,919	77,697
Current portion of capital lease obligations	3,139	2,681
Total current liabilities	516,916	451,232
Other Liabilities		
Long-term debt	589,193	473,530
Capital lease obligations	48,680	49,666
Deferred income taxes	168,715	176,588
Other	441,124	441,323
Total other liabilities	$1,247,712	$1,141,107

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Lease Commitments

Operating Leases:
Such lease commitments are primarily for office space and equipment. Certain office space leases provide for adjustments relating to changes in real estate taxes and other operating expenses.

Rental expense amounted to $27,699,000 in 1995, $26,559,000 in 1994, and $24,744,000 in 1993. The approximate minimum rental commitments under noncancelable leases (exclusive of minimum sublease rentals of $152,000) at December 31, 1995 were as follows: 1996, $17,454,000; 1997, $14,390,000; 1998, $12,334,000; 1999, $9,919,000; 2000, $6,798,000 and $24,529,000 thereafter.

Capital Leases:
In 1993, the Company and the City of New York executed a long-term lease agreement and related agreements, under which the Company is leasing 31 acres of City-owned land in College Point, New York, on which The Times is building a state-of-the-art printing and distribution facility. Conditions stipulated under the lease were met in 1994 and, accordingly, a capital lease of $5,000,000 was recorded at such time. The lease will continue for 25 years after the start of construction with an option to ultimately purchase the property. Under the terms of the agreement, The Times would receive various tax and energy cost reductions.

The Company also has a long-term lease for a building and site in Edison, New Jersey. The lease provides the Company with certain early cancellation rights, as well as renewal and purchase options. For financial reporting purposes, the lease has been classified as a capital lease; accordingly, an asset of approximately $57,000,000 (included in buildings, building equipment and improvements at December 31, 1995 and 1994) has been recorded.

The following is a schedule of future minimum lease payments under all capitalized leases together with the present value of the net minimum lease payments as of December 31, 1995:

Dollars in thousands *Year Ended December 31*	Amount
1996	$7,433
1997	7,337
1998	7,386
1999	7,288
2000	7,140
Later years	57,108
Total minimum lease payments	93,692
Less: amount representing interest	41,873
Present value of net minimum lease payments including current maturities of $3,139	$51,819

THE PENN TRAFFIC COMPANY (JAN)

(In thousands of dollars)	1996	1995
Current Assets:		
Cash and short-term investments	$58,585	$46,519
Accounts and notes receivable (less allowance for doubtful accounts of $1,483 and $1,374, respectively)	83,519	81,967
Inventories	356,309	385,968
Prepaid expenses and other current assets	15,717	10,913
	514,130	525,367
Facilities Under Capital Leases (Note 5):		
Capital leases	183,654	178,198
Less: Accumulated amortization	(61,125)	(50,450)
	122,529	127,748
Current Liabilities:		
Current portion of obligations under capital leases (Note 5)	$ 11,735	$ 9,962
Current maturities of long-term debt	2,728	4,118
Trade accounts and drafts payable	208,880	209,890
Payroll and other accrued liabilities	82,154	79,434
Accrued interest expense	33,812	30,686
Payroll taxes and other taxes payable	16,880	19,582
Deferred income taxes	30,385	27,384
	386,574	381,056
Non-current Liabilities:		
Obligations under capital leases (Note 5)	126,197	126,894
Long-term debt	1,200,997	1,136,302
Deferred income taxes	38,789	73,598
Other noncurrent liabilities	60,860	43,189
	$1,426,843	$1,379,983

Note 5. Leases

The following is a schedule by year of future gross minimum rental payments for all leases with terms greater than one year reconciled to the present value of net minimum capital lease payments as of February 3, 1996:

(In thousands of dollars)	Total	Operating	Capital
Fiscal Year Ending In			
1997	$ 66,340	$ 40,222	$ 26,118
1998	61,473	37,601	23,872
1999	57,834	35,182	22,652
2000	53,743	32,867	20,876
2001	49,848	31,052	18,796
Later years	419,545	271,875	147,670
Total minimum lease payments	$708,783	$448,799	259,984
Less: Executory costs			(1,201)
Net minimum capital lease payments			258,783
Less: Estimated amount representing interest			(120,851)
Present value of net minimum capital lease payments			137,932
Less: Current portion			(11,735)
Long-term obligations under capital lease at February 3, 1996			$126,197

The Company principally operates in leased store facilities with terms of up to 20 years and renewable options for additional periods. The Company follows the provisions of Statement of Financial Accounting Standards No. 13, "Accounting for Leases," in determining the criteria for capital leases. Leases that do not meet such criteria are classified as operating leases, and related rentals are charged to expense in the year incurred. During Fiscal 1996, 1995 and 1994, the Company incurred capital lease obligations of $11,176,000, $5,533,000 and $7,613,000, respectively, in connection with lease agreements for buildings and equipment. For Fiscal 1996, 1995 and 1994, capital lease amortization expense was $12,485,000, $11,887,000 and $11,758,000, respectively.

Future minimum rentals have not been reduced by minimum sublease rentals of $49,649,000 due in the future under noncancelable subleases. In addition to minimum rentals, some leases provide for the Company to pay real estate taxes and other expenses and, in many cases, contingent rentals based on sales.

Minimum rental payments and related executory costs for operating leases were as follows:

	Fiscal Year Ended		
(In thousands of dollars)	Feb. 3, 1996	Jan. 28, 1995	Jan. 29, 1994
Minimum rentals and executory costs	$40,806	$35,863	$30,393
Contingent rentals	2,264	1,874	1,437
Less: Sublease payments	(9,946)	(9,607)	(8,226)
Net rental payments	$33,124	$28,130	$23,604

Lessee—Operating Leases

ANACOMP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Commitments and Contingencies

Anacomp has commitments under long-term operating leases, principally for building space and data service center equipment. Lease terms generally cover periods from five to twelve years. The following summarizes the future minimum lease payments under all noncancelable operating lease obligations, including the unfavorable lease commitments and vacant facilities discussed in Note 1, which extend beyond one year:

(Dollars in thousands)	Year ended September 30,
1996	$23,508
1997	18,822
1998	15,540
1999	7,789
2000	4,558
2001 and thereafter	28,985
	$99,202
Less liabilities recorded as of September 30, 1995 related to unfavorable lease commitments and future lease costs for vacant facilities	(6,664)
	$92,538

The total of future minimum rentals to be received under noncancelable subleases related to the above leases is $1.9 million. No material losses in excess of the liabilities recorded are expected in the future.

Anacomp leases certain equipment installed in its data service centers. As a result of the Company's default under its debt obligations, as more fully discussed in Notes 2 and 11, Anacomp is in default under these lease agreements whereby the lessors have the right to require that Anacomp prepay the remaining future lease payments. Because the equipment lease payments have been made and are expected to be made in a timely manner, the Company does not expect that the lessors will assert this right under these lease agreements.

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Rental and Lease Information

The Company leases certain facilities and equipment under operating leases, many of which contain renewal options. Total rental expense, net of insignificant sublease rental income, on all operating leases was $27,353,000, $25,916,000 and $24,923,000 for 1995, 1994 and 1993, respectively. Contingent rentals under the operating leases were not significant.

Minimum future rental commitments under operating leases having noncancelable lease terms in excess of one year aggregate $82 million as of December 31, 1995 and are payable as follows (in millions): 1996, $22.4; 1997, $17.4; 1998, $11.2; 1999, $8.1; 2000, $4.7; and after 2000, $17.2.

THE DOW CHEMICAL COMPANY (DEC)

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

H. Leased Properties

The Company routinely leases premises for use as sales and administrative offices, warehouses and tanks for product storage, motor vehicles, railcars, computers, office machines and equipment under operating leases. In addition, a 77% owned U.S. subsidiary leases a 262 megawatt syngas facility and a Canadian subsidiary leases an ethylene plant. The Company has the option to purchase the ethylene plant and certain other leased equipment and buildings at the termination of the leases. During 1995, the company purchased approximately $318 of leased assets.

Rental expenses under operating leases were $433, $371 and $427 for 1995, 1994 and 1993, respectively. The minimum future lease commitments for all operating leases are as follows:

Minimum Operating Lease Commitments

1996	$ 262
1997	253
1998	404
1999	196
2000	148
2001 and thereafter	1,050
Total minimum lease commitments	$2,313

DURACELL INTERNATIONAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in millions)

17 (In Part): Commitments and Contingencies

At June 30, 1995, the Company had various noncancelable operating leases for distribution centers, office buildings, transportation, computer, and other equipment. Certain leases contain escalation clauses based upon increases in the consumer price index. Capital leases as of June 30, 1995 and 1994 were not significant.

Rental expense for all operating leases was $23.7, $19.0 and $19.2 for the fiscal years ended June 30, 1995, 1994 and 1993, respectively. Future minimum payments under noncancelable operating leases at June 30, 1995 are:

1996	$20.1
1997	18.2
1998	14.5
1999	11.6
2000	9.9
2001 and thereafter	14.2
	$88.5

During fiscal 1996 the Company will move into a new headquarters facility under an operating lease. Under the terms of that lease, the Company is obligated to either purchase the building prior to fiscal 2003 for approximately $70 (the estimated fair value of the building upon its completion) or make a payment to the lessor at that time of as much as $60, depending on the facts and circumstances at the conclusion of the lease. Neither of these amounts has been included in the preceding table.

ICOT CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Lease Commitments

At July 29, 1995, approximate future minimum rental commitments under all noncancelable operating leases are as follows (in thousands):

Fiscal Year	
1996	$ 514
1997	273
1998	273
1999	273
2000	80
Thereafter	815
	2,228
Less: Sublease income	(116)
	$2,112

Total rent expense for all operating leases amounted to approximately $1,308,000, $1,128,000, and $1,038,000 in fiscal 1993, 1994 and 1995, respectively. Rent expense in fiscal 1993, 1994 and 1995 is before sublease income of $183,000, $231,000, and $297,000.

The Company's corporate headquarters is located in San Jose, California. In May 1994, a mutual release of the rental obligation expiring on December 1, 1995 was executed for this two-story building consisting of approximately 47,500 square feet. Concurrently, a new lease was signed for only a single-story premise of approximately 23,300 square feet of this building. This lease expires on July 23, 1999.

The Company has a lease obligation on a research and development facility of approximately 3,000 square feet located in Meadow Vista, California. This lease expires on February 29, 1996.

The Company has a lease obligation through December 31, 1995 on a facility in Natick, Massachusetts consisting of approximately 21,000 square feet. The lease obligation on this facility was assumed in connection with a prior business acquisition. Subsequently, due to consolidation of operations in connection with the Company's restructuring program in fiscal 1993, this location has become excess to the Company's current and anticipated future requirements. As of July 29, 1995, all of the excess space at this facility was subleased through the end of the lease period. Accordingly, the Company has accrued all future rental obligations net of sublease income for the remaining term of the lease.

The Company has a lease obligation through September 29, 2010 for its wholly-owned subsidiary in the United Kingdom, now dormant, on a building of approximately 6,400 square feet located in Wokingham, England. In line with the Company's restructuring program, ICOT International Limited closed its operations in the fourth quarter of fiscal 1993. During the first quarter of fiscal 1995, the Company subleased this facility for a portion of the lease term. This sublease expires September 1997. Accordingly, the Company has accrued $294,000 to cover partial rental obligations related to this facility, net of anticipated future sublease income.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Leases

The Company leases certain plant, office space and equipment for varying periods. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

The following is a schedule of future minimum lease payments for operating leases that had initial or remaining noncancelable lease terms in excess of one year as of February 28, 1995:

(In thousands)	Operating Leases
1996	$16,759
1997	14,232
1998	10,202
1999	7,394
2000	5,256
2001 and beyond	11,271
Total minimum lease payments*	$65,114

* Minimum payments do not include contingent rentals or vehicle lease payments based on mileage.

Total net rent expense for operating leases, including those with terms of less than one year, consisted of the following:

(In thousands)	1995	1994	1993
Minimum rentals	$27,608	$28,270	$29,873
Contingent rentals	246	1,009	2,643
Sublease rentals	(44)	(286)	(7)
Total net rent expense	$27,810	$28,993	$32,509

Lessor Leases

AMDAHL CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Total current assets	$1,300,691	$1,346,488
Long-term receivables and other assets	28,083	34,908
Property and equipment:		
Leased systems	37,937	30,238
System spares	379,797	384,685
Production and data processing equipment	327,051	410,557
Office furniture, equipment and improvements	173,691	156,195
Land and buildings	111,715	137,429
	1,030,191	1,119,104
Less: accumulated depreciation and amortization	757,523	781,465
Property and equipment, net	272,668	337,639
Excess of cost over net assets acquired, net of accumulated amortization of $692 in 1995	106,756	—
	$1,708,198	$1,719,035

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Equipment Leasing and Third Party Transactions

The Company is the lessor of equipment under operating leases for periods generally less than three years. Certain operating leases contain provisions for early termination with a penalty or with conversion to another system. The cost of leased systems is depreciated to a zero value on a straight-line basis over two to four years. Accumulated depreciation on leased systems was $12,462,000 at December 29, 1995 and $14,119,000 at December 30, 1994. The Company also leases equipment to customers under sales-type leases as defined in Statement of Financial Accounting Standards No. 13, "Accounting for Leases." The current portion of the net investment in sales-type leases is included in receivables and the long-term portion is included in long-term receivables and other assets. The components of the net investment in sales-type leases were as follows:

(In thousands)	1995	1994
Minimum rentals receivable	$8,020	$22,001
Estimated residual values of leased equipment (unguaranteed)	2,500	4,607
Less unearned interest income	(1,116)	(3,182)
Net investment in sales-type leases	$9,404	$23,426

Minimum rentals receivable under existing leases as of December 29, 1995 were as follows:

(In thousands)	Sales-Type	Operating
1996	$4,786	$14,272
1997	2,818	9,597
1998	402	3,062
1999	14	106
2000	—	—
Thereafter	—	—
	$8,020	$27,037

In addition, during the periods presented, the Company sold certain equipment subject to operating leases and financed certain sales-type equipment leases and installment contracts with financing institutions (Third Parties). The Company sometimes agrees to perform certain services and obligations with respect to the equipment and related leases, such as general lease administration, invoicing and collection of rentals, payment of insurance and personal property taxes, maintenance services and non-priority remarketing of equipment that comes off lease. For these services and obligations, the Company generally receives its normal maintenance charges and a remarketing and administration fee. Many of the agreements with Third Parties provide the Company with residual rights in revenues, if any, derived from the equipment after the Third Parties have received a designated return. Equipment sales revenues arising from these transactions with Third Parties were approximately $48,000,000, $71,000,000 and $91,000,000 in 1995, 1994 and 1993, respectively.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Leases

Buildings and Improvements Leased to Others

The Corporation leases certain of its building and related improvements to outside parties under noncancelable operating leases. Cost and accumulated depreciation of the leased buildings and improvements at December 31, 1995, were $51,501,000 and $43,674,000, respectively, and at December 31, 1994, were $50,629,000 and $42,713,000, respectively.

Facilities Leased from Others

The Corporation conducts a portion of its operations from leased facilities, which include manufacturing plants, administrative offices and warehouses. In addition, the Corporation leases automobiles and office equipment under operating leases. Rental expenses for all operating leases amounted to approximately $1,857,000 in 1995, $1,840,000 in 1994 and $1,815,000 in 1993.

At December 31, 1995, the approximate future minimum rental income and commitment under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

(In thousands)	Rental Income	Rental Commitment
1996	$5,305	$1,447
1997	5,419	1,302
1998	4,438	1,179
1999	2,957	808
2000	2,278	213
2001 and beyond	16,219	907
Total	$36,616	$5,856

GENERAL MOTORS CORPORATION (DEC)

(Dollars in millions)	1995	1994
Assets		
Cash and cash equivalents	$11,044.3	$10,939.0
Other marketable securities	5,598.6	5,136.6
Total cash and marketable securities	16,642.9	16,075.6
Finance receivables—net	58,732.0	54,077.3
Accounts and notes receivable (less allowances)	9,988.4	8,977.8
Inventories (less allowances)	11,529.5	10,127.8
Contracts in process (less advances and progress payments of $1,327.2 and $2,311.2)	2,469.2	2,265.4
Net equipment on operating leases (less accumulated depreciation of $7,224.5 and $5,374.7) (Note 7)	27,702.3	20,061.6
Deferred income taxes	19,028.3	19,693.3
Property		
Real estate, plants and equipment—at cost	73,652.3	69,807.9
Less accumulated depreciation	44,083.2	42,586.4
Net real estate, plants, and equipment	29,569.1	27,221.5
Special tools—at cost (less amortization)	8,170.7	7,559.1
Total property	37,739.8	34,780.6
Intangible assets—at cost (less amortization)	11,898.9	11,913.8
Other assets (less allowances)	21,392.1	20,625.5
Total Assets	$217,123.4	$198,598.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Property and Net Equipment on Operating Leases

The value of General Motors' net equipment on operating leases is based on estimated residual values of the leased equipment, which are calculated at the lease inception date. Realization of the residual values is dependent on General Motors' future ability to market the

equipment under then prevailing market conditions. Although realization is not assured, management believes it is more likely than not that the estimated residual values will be realized.

The lease payments to be received relate to net equipment on operating leases maturing in each of the five years following December 31, 1995 and are as follows: 1996, $5,302.4 million; 1997, $3,373.9 million; 1998, $1,361.6 million; 1999, $200.0 million; and 2000, $82.8 million.

PENNZOIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Leases

As Lessor

Pennzoil, through Jiffy Lube, owns or leases numerous service center sites which are leased or subleased to franchises. Buildings owned or leased that meet the criteria for direct financing leases are carried at the gross investment in the lease less unearned income. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. Any buildings leased or subleased that do not meet the criteria for a direct financing lease and any land leased or subleased are accounted for as operating leases. The typical lease period is 20 years and some leases contain renewal options. The franchisee is responsible for the payment of property taxes, insurance and maintenance costs related to the leased property. The net investment in direct financing leases is classified as other assets in the accompanying consolidated balance sheet.

Future minimum lease payment receivables under noncancellable leasing arrangements as of December 31, 1995 are as follows:

	Amounts Receivable As Lessor	
	Direct Financing Leases	Operating Leases
(Expressed in thousands)		
Year Ending December 31:		
1996	$ 5,243	$ 12,291
1997	5,348	11,565
1998	5,508	10,496
1999	5,571	10,378
2000	5,656	10,187
Thereafter	46,060	68,410
Net minimum future lease receipts	$73,386	$123,327
Less unearned income	36,698	
Net investment in direct financing leases at December 31, 1995	$36,688	

Investment In Leveraged Leases

PITNEY BOWES INC. (DEC)

(Dollars in thousands)	1995	1994
Total current assets	$2,101,097	$2,083,744
Property, plant and equipment, net	495,001	578,650
Rental equipment and related inventories, net	773,337	695,343
Property leased under capital leases, net	7,876	12,633
Long-term finance receivables, less allowances: 1995, $75,807; 1994, $76,867	3,390,597	3,086,401
Investment in leveraged leases	570,008	481,308
Goodwill, net of amortization: 1995, $30,504; 1994, $40,984	208,698	222,445
Other assets	298,034	239,196
Total assets	$7,844,648	$7,399,720

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

1 (In Part): Summary of Significant Accounting Policies

Financing Transactions. At the time a finance transaction is consummated, the company's finance operations record the gross finance receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross finance receivable plus the estimated residual value over the cost of equipment or contract acquired. Unearned income is recognized as financing income using the interest method over the term of the transaction and is included in rentals and financing revenue in the Consolidated Statement of Income. Initial direct costs incurred in consummating a transaction are accounted for as part of the investment in a lease and amortized to income using the interest method over the term of the lease.

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The company's investment in leveraged leases consist of rentals receivable net of principal and interest on the related nonrecourse debt, estimated residual value of the leased property and unearned income. The unearned income is recognized as leveraged lease revenue in income from investments over the lease term.

16 (In Part): Financial Services

The company's net investment in leveraged leases is composed of the following elements:

December 31	1995	1994
Net rent receivable	$532,153	$479,027
Unguaranteed residual valuation	589,520	550,516
Unearned income	(551,665)	(548,235)
Investment in leveraged leases	570,008	481,308
Deferred taxes arising from leveraged leases	(216,873)	(169,537)
Net investment in leveraged leases	$353,135	$311,771

Following is a summary of the components of income from leveraged leases:

Years ended December 31	1995	1994	1993
Pretax leveraged lease income	$11,667	$6,694	$3,785
Income tax effect	4,408	5,050	5,381
Income from leveraged leases	$16,075	$11,744	$9,166

Leveraged lease assets acquired by the company are financed primarily through nonrecourse loans from third-party debt participants. These loans are secured by the lessee's rental obligations and the leased property. Net rents receivable represent gross rents less the principal and interest on the nonrecourse debt obligations. Unguaranteed residual values are principally based on independent appraisals of the values of leased assets remaining at the expiration of the lease.

Leveraged lease investments totaling $265.2 million are related to commercial real estate facilities, with original lease terms ranging from 5 to 25 years. Also included are ten aircraft transactions with major commercial airlines, with a total investment of $266.8 million and with original lease terms ranging from 22 to 25 years and two transactions involving locomotives with a total investment of $38.0 million with an original lease term ranging from 25 to 38 years.

Sale-Leaseback

ACTION INDUSTRIES, INC. (JUN)

(In thousands)	1995	1994
Long-Term Liabilities		
Financing obligation—sale/leaseback	$7,739	$8,372
Long-term debt	115	115
Deferred compensation	1,688	2,012
Total Long-Term Liabilities	$9,542	$10,499

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D. Sale/Leaseback

In 1991 the Company refinanced its headquarters facility under a sale/leaseback arrangement. The facility was sold for $14 million, $3.5 million of which was in the form of an interest bearing note receivable. The note was due in April of 1995 and remains outstanding. $10.5 million was received in cash. The transaction was accounted for as a financing, wherein the property remains on the books and continues to be depreciated. A financing obligation representing the proceeds was recorded, and is reduced based on payments under the lease.

The lease (under which the Company has been the sole tenant) has a term of twelve years for the office and eight years for the warehouse (beginning in April 1991) and requires minimum annual rental payments of $1,935,000 in 1996, $1,980,000 in 1997, $1,980,000 in 1998, $1,980,000 in 1999, $641,000 in 2000 and $1,284,000 thereafter. The Company has the option to renew the lease at the end of the respective lease terms, and the option to purchase the property at the end of the warehouse lease.

The Company expects to renegotiate this lease and become a sub-tenant for significantly reduced space in this facility during fiscal 1996. This is consistent with the Company's decreased warehouse space requirements arising from reduced sales and inventory levels. New leases involved will be operating leases with minimum annual rentals equal to or less than the existing arrangements. Termination of the existing lease will result in elimination of the lease obligation ($7.7 million at June 24, 1995) from the balance sheet, substantially offset by the elimination of the land, building and certain equipment. It is expected that the new arrangements will provide the Company's landlord in the facility with sufficient cash flow to begin to repay the Company's note receivable from the original sale/leaseback transaction. Such repayments will be reported as income when received.

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			
	1995	**1994**	**1993**	**1992**
Deferred income taxes	408	424	419	451
Minority interest	143	138	137	140
Liabilities of nonhomogeneous operations	14	16	24	22
Employee Liabilities				
Benefits	252	256	218	156
Pension accruals	156	148	167	173
Deferred compensation, bonus, etc.	58	56	51	48
Other—described	12	16	10	9
Estimated losses or expenses				
Environmental	55	54	39	27
Discontinued operations	46	47	44	38
Insurance	24	22	20	18
Warranties	8	12	9	10
Other—described	46	44	50	39
Deferred credits				
Deferred profit on sales	15	19	16	14
Payments received prior to rendering service	6	4	8	10
Other—described	21	16	18	8

Deferred Income Taxes

BANTA CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Non-current Liabilities:		
Long-term debt	$134,953	$67,834
Deferred income taxes	20,785	19,218
Other non-current liabilities	13,109	12,122
	$168,847	$99,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Income Taxes

The components of the net deferred tax liability as of December 30, 1995, and December 31, 1994, were as follows:

(Dollars in thousands)	1995	1994
Deferred tax liabilities:		
Accelerated depreciation and capitalized interest	$28,466	$25,583
Other	184	1,711
Total deferred tax liabilities	28,650	27,294
Deferred tax assets:		
Accrued liabilities	(8,614)	(9,024)
Accrued pension cost	(2,226)	(2,424)
Deferred compensation	(2,234)	(2,038)
Allowance for uncollectible accounts	(1,285)	(1,766)
Other	(2,957)	(884)
Total deferred tax assets	(17,316)	(16,136)
Net deferred tax liability	$11,334	$11,158

No United States deferred taxes have been provided on the undistributed foreign subsidiary earnings which aggregated $1,304,000 at December 30, 1995, and are considered permanently invested.

The non-United States component of income before income taxes was $1,580,000 in 1995.

The net deferred tax liability is classified in the December 30, 1995, and December 31, 1994, balance sheets as follows:

(Dollars in thousands)	1995	1994
Non-current deferred income taxes	$20,785	$19,218
Current deferred income taxes	(9,451)	(8,060)
Net deferred tax liability	$11,334	$11,158

CHAMPION INTERNATIONAL CORPORATION (DEC)

(In thousands of dollars)	1995	1994
Current Assets:		
Cash and cash equivalents	$ 317,069	$ 90,948
Short-term investments	98,275	—
Receivables	641,291	562,085
Inventories	484,001	441,430
Prepaid expenses	24,841	23,286
Deferred income taxes (Note 12)	75,329	61,032
Total Current Assets	$1,640,806	$1,178,781
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Total Current Liabilities	$1,079,873	$1,034,412
Long-term debt	2,828,509	2,889,252
Other Liabilities	664,010	670,761
Deferred income taxes (Note 12)	1,218,978	1,039,927
Minority Interest in Subsidiaries	105,241	68,531

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Income Taxes

Deferred tax liabilities (assets) are composed of the following:

(In thousands of dollars) Years Ended December 31	1995	1994
Depreciation and cost of timber harvested	$1,687,471	$1,677,529
Capitalization of interest and deferral of pre-operating and start-up costs (net)	37,450	44,940
Other	51,593	45,544
Gross Liabilities	1,776,514	1,768,013
Loss and other carryforwards	(211,742)	(404,668)
Accrued liabilities	(201,744)	(174,116)
Postretirement benefits other than pensions	(151,284)	(151,175)
Other	(88,902)	(93,166)
Gross Assets	(653,672)	(823,125)
Valuation allowance	20,807	34,007
	$1,143,649	$978,895

As of December 31, 1995, the company had available, for U.S. income tax return purposes, general business credit carryforwards of $15,600,000, which expire from 1999 through 2009, and alternative minimum tax credit carryforwards of $194,600,000, which do not expire.

It is the company's intention to reinvest undistributed earnings of certain of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for income taxes on undistributed earnings of $1,066,700,000 at December 31, 1995. Computation of the potential deferred tax liability associated with these undistributed earnings is not practicable.

The valuation allowance primarily relates to general business credit carryforwards. The decrease in the valu-

ation allowance of $13,200,000 for 1995 and $8,284,000 for 1994 is primarily due to the resolution of issues with respect to the utilization of such carryforwards.

UNITED FOODS, INC. (FEB)

	1995	1994
Current Liabilities		
Accounts Payable	$8,301,000	$9,001,000
Accruals:		
Compensation and related taxes	4,401,000	3,013,000
Pension contributions	458,000	418,000
Income taxes	742,000	142,000
Workers' compensation claims	1,371,000	1,669,000
Interest	342,000	297,000
Miscellaneous	832,000	229,000
Deferred income taxes (Note 5)	—	43,000
Current maturities of long-term debt	4,302,000	4,352,000
Total Current Liabilities	20,749,000	19,164,000
Long-term debt, less current maturities	30,076,000	27,148,000
Deferred income taxes (Note 5)	5,892,000	5,585,000
Total Liabilities	$56,717,000	$51,897,000

NOTES TO FINANCIAL STATEMENTS

Note 5 (In Part): Taxes on Income

The components of the net deferred income tax assets and liabilities consist of the following:

	February 28, 1995	1994
Deferred tax assets:		
Net operating loss carryforwards	$1,272,000	$4,206,000
Jobs and other tax credit carryforwards	2,821,000	1,070,000
Inventory overhead (UCR adjustment)	655,000	546,000
Accrued vacation	447,000	386,000
Deferred compensation	650,000	319,000
Charitable contributions carryforward	249,000	198,000
Other	753,000	269,000
Total deferred income tax assets	6,847,000	6,994,000
Deferred income tax liabilities:		
Fixed asset basis difference	(11,019,000)	(11,155,000)
LIFO spread adjustment	(625,000)	(938,000)
Product introduction allowances	(354,000)	(316,000)
Other	(184,000)	(213,000)
Total deferred income tax liabilities	(12,182,000)	(12,622,000)
Net deferred income tax liabilities	(5,335,000)	(5,628,000)
Current deferred income tax asset (liability)	557,000	(43,000)
Net long-term deferred income tax liability	$(5,892,000)	$(5,585,000)

Minority Interests

ATLANTIC RICHFIELD COMPANY (DEC)

(In millions)	1995	1994
Total current liabilities	$3,963	$4,488
Long-term debt	6,708	7,198
Deferred income taxes	2,637	2,721
Other deferred liabilities and credits	3,456	3,471
Minority interest	477	407

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, 1995, ARCO Chemical Company (ACC), of which ARCO owned 82.9% of the outstanding shares, and Vastar Resources, Inc. (Vastar), of which ARCO owned 82.3% of the outstanding shares. ARCO also consolidates its interest 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.

BEMIS COMPANY, INC. (DEC)

(In thousands of dollars)	1995	1994
Total current liabilities	$219,215	$210,818
Long-term debt, less current portion	166,435	171,728
Deferred taxes	49,758	40,013
Other liabilities and deferred credits	53,943	58,823
Total liabilities	489,351	481,382
Minority interest	28,436	23,930

FOSTER WHEELER CORPORATION (DEC)

(In thousands of dollars)	1995	1994
Total current liabilities	$1,240,276	$ 890,579
Long-term debt, less current installments	554,404	466,637
Minority interest in subsidiary companies	13,438	10,344
Deferred income taxes	21,841	19,651
Other long-term liabilities, deferred credits and postretirement benefits other than pensions	319,983	296,629
Total Liabilities	$2,149,942	$1,683,840

TEXAS INDUSTRIES, INC. (MAY)

(In thousands)	1995	1994
Total current liabilities	$105,171	$115,695
Long-term debt	185,274	171,263
Deferred federal income taxes and other credits	80,178	73,196
Minority interest	39,323	36,295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

The consolidated financial statements include the accounts of Texas Industries, Inc. (the Company) and all subsidiaries. The minority interest represents the 19.1% separate public ownership of Chaparral Steel Company (Chaparral).

Liabilities Of Nonhomogeneous Operations

ALCO STANDARD CORPORATION (SEP)

(Dollars in thousands)	1995	1994
Total current liabilities	$1,390,077	$1,056,930
Long-term debt	325,314	340,771
Deferred taxes and other liabilities		
Deferred taxes	96,082	32,192
Restructuring costs	6,000	50,000
Other long-term liabilities	178,782	156,511
	280,864	238,703
Finance Subsidiaries Liabilities (Note 12)	872,783	498,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Finance Subsidiaries

The Company's wholly owned finance subsidiaries are engaged in purchasing office equipment from Company dealers and leasing the equipment to customers under direct financing leases.

Summarized financial information of the finance subsidiaries is as follows:

September 30 (in thousands)	1995	1994
Future minimum lease payments receivable	$1,084,967	$645,083
Less: Unearned income	(165,492)	(109,416)
Lease receivables	919,475	535,667
Accounts receivable and other assets	63,847	26,736
Finance subsidiaries assets	$983,322	$562,403
Debt at average interest rate: 1995-6.8%; 1994-5.8% due 1996-2000	$817,585	$464,882
Other liabilities	55,198	33,828
Finance subsidiaries liabilities	$872,783	$498,710

Employee-Related Liabilities

ALLEGHENY LUDLUM CORPORATION (DEC)

(In thousands of dollars)	1995	1994
Total Current Liabilities	$183,487	$170,280
Long-term debt, less current portion	181,157	133,097
Pensions	105,699	135,758
Postretirement benefit liability	265,559	267,136
Other	32,922	26,721
Total Liabilities	$768,824	$732,992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Pension Plans and Other Postemployment Benefits

The Company and its subsidiaries have several defined benefit pension plans and several defined contribution plans, which cover substantially all of their employees. Benefits under the defined benefit pension plans are generally based on years of service and the employee's average annual compensation in the five consecutive years of the ten years prior to retirement in which such earnings were the highest. The Company funds at least the amount necessary to meet the minimum funding requirements of ERISA and the Internal Revenue Code.

The following table sets forth the funded status and amount recognized for the defined benefit pension plans in the consolidated balance sheets:

(In thousands of dollars)	Dec. 31, 1995	Jan. 1, 1995
Actuarial present value of accumulated benefit obligations, including vested benefits of $570,243 in 1995 and $507,565 in 1994	$608,300	$535,057
Actuarial present value of projected benefit obligations for services rendered to date	673,824	600,668
Less plan assets at fair value, primarily listed stocks, government securities and pooled investment funds	504,519	393,048
Projected benefit obligations in excess of plan assets	169,305	207,620
Unrecognized net loss from past experience different from assumed	(49,666)	(60,651)
Unrecognized prior service costs	(47,972)	(48,518)
Additional minimal liability	34,032	44,761
Pension Liabilities	$105,699	$143,212

Pension liabilities are included in the balance sheets as follows:

(In thousands of dollars)	Dec. 31, 1995	Jan. 1, 1995
Accrued compensation and benefits	$ —	$ 7,454
Pensions	105,699	135,758
Total Pension Liabilities	$105,699	$143,212

Other Postretirement Benefit Plans

The Company sponsors several defined benefit postretirement plans covering most salaried and hourly employees. The plans provide health care and life insurance benefits for eligible retirees. The basic health care plans are noncontributory, and the major medical options are contributory, with retiree contributions adjusted periodically. The life insurance plans are generally noncontributory. The Company funds postretirement benefit obligations for hourly employees represented by the USWA based on the available funds and amounts allowable by the Internal Revenue Code.

The following table sets forth the postretirement benefit plans' combined funded status reconciled with the amounts recognized in the balance sheet:

(In thousands of dollars) December 31, 1995	Health Care	Life Insurance	Total
Accumulated postretirement benefit obligation (APBO):			
Retirees	$186,932	$15,486	$202,418
Fully eligible active participants	61,481	3,906	65,387
Other active participants	115,027	4,561	119,588
	363,440	23,953	387,393
Less plan assets at fair value, primarily investment in limited partnership funds	45,645	—	45,645
Accumulated postretirement benefit obligations in excess of plan assets	317,795	23,953	341,748
Unrecognized net gain	(52,853)	(2,149)	(55,002)
Unrecognized prior service cost	(21,167)	(20)	(21,187)
Accrued postretirement benefit cost	$243,775	$21,784	$265,559

January 1, 1995	Health Care	Life Insurance	Total
Accumulated postretirement benefit obligation (APBO):			
Retirees	$159,089	$13,731	$172,820
Fully eligible active participants	44,560	3,106	47,666
Other active participants	88,613	3,686	92,299
	292,262	20,523	312,785
Less plan assets at fair value, primarily investment in limited partnership funds	31,834	—	31,834
Accumulated postretirement benefit obligations in excess of plan assets	260,428	20,523	280,951
Unrecognized net gain	4,511	295	4,806
Unrecognized prior service cost	(18,742)	121	(18,621)
Accrued postretirement benefit cost	$246,197	$20,939	$267,136

AMERICAN GREETINGS CORPORATION (FEB)

(Thousands of dollars)	1995	1994
Total Current Liabilities	$362,250	$375,915
Long-term debt	74,480	54,207
Postretirement benefits other than pensions	17,815	19,427
Other liabilities	90,969	—
Deferred income taxes	56,696	62,243

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of dollars)

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

The Corporation sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees who are age 65 or over at retirement with 15 or more years of service and who were hired on or before December 31, 1991. In addition, for retirements on or after January 2, 1992 the retiree must have been continuously enrolled for health care for a minimum of five years or since January 2, 1992. The plan is contributory, with retiree contributions adjusted periodically, and contains other cost-sharing features such as deductibles and coinsurance. The Corporation maintains a trust for the payment of retiree health care benefits. This trust is funded at the discretion of management.

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The following table presents the plan's funded status at February 28, 1995 and 1994 as recognized in the Corporation's Consolidated Statement of Financial Position:

	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$19,318	$16,005
Fully eligible active plan participants	5,686	4,994
Other active plan participants	16,701	18,304
Accumulated postretirement benefit obligation	41,705	39,303
Plan assets, primarily listed stocks and bonds	(21,970)	(18,475)
Accumulated postretirement benefit obligation in excess of plan assets	19,735	20,828
Unrecognized net loss	(1,920)	(1,401)
Postretirement benefit obligation	$17,815	$19,427

AULT INCORPORATED (MAY)

	1995	1994
Total current liabilities	$9,244,620	$5,945,568
Long term debt, less current maturities	1,221,196	232,747
Deferred rent expense	192,877	208,382
Deferred compensation/severance	287,039	210,617

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Compensation/Severance: Deferred compensation/severance represents the accrual of compensation expense for the Korean operations employees that is payable upon termination of employment.

THE BOEING COMPANY (DEC)

(Dollars in millions)	1995	1994
Total current liabilities	$7,415	$6,827
Deferred income taxes		51
Accrued retiree health care	2,441	2,282
Long-term debt	2,344	2,603

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Postretirement Plans

Other Postretirement Benefits

The Company's postretirement benefits other than pensions consist of health care coverage for eligible retirees and qualifying dependents. Except for employees covered by the United Auto Workers bargaining agreement for whom lifetime benefits are provided, retiree health care is provided principally until age 65.

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The accumulated retiree health care obligation at December 31 consisted of the following components:

	1995	1994
Retirees and dependents	$ 890	$ 562
Fully eligible active plan participants	201	360
Other active plan participants	1,121	1,039
Total accumulated retiree health care obligation	2,212	1,961
Unrecognized net actuarial gain	229	321
Accrued retiree health care	$2,441	$2,282

The special retirement program offered during the first half of 1995 did not result in an additional retiree health care cost due to offsetting unrecognized actuarial gains.

A. O. SMITH CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Current Liabilities		
Trade payables	$112,645	$112,940
Accrued payroll and benefits	47,763	49,289
Postretirement benefit obligation	7,837	9,573
Accrued liabilities	37,964	34,806
Income taxes	2,505	2,060
Long-term debt due within one year	3,925	3,775
Finance subsidiary long-term debt due within one year	1,008	3,480
Total Current Liabilities	213,647	215,923
Long-term debt	167,139	136,769
Finance subsidiary long-term debt	23,799	29,357
Postretirement benefit obligation	74,799	72,388
Product warranty	16,658	15,089
Deferred income taxes	63,239	54,445
Other liabilities	15,297	11,141
Total Liabilities	$574,578	$535,112

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Retirement Plans

Postretirement Benefits Other Than Pensions

The corporation has several unfunded defined benefit postretirement plans covering certain hourly and salaried employees which provide medical and life insurance benefits from retirement to age 65. Salaried employees retiring after January 1, 1995 are covered by an unfunded defined contribution plan with benefits based on years of service. Certain hourly employees retiring after January 1, 1996 will be subject to a maximum annual benefit limit. Salaried employees hired after December 31, 1993 are not eligible for postretirement medical benefits.

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The following table sets forth the plans' status as reflected in the consolidated balance sheet:

December 31 (Dollars in thousands)	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$44,347	$51,066
Fully eligible active plan participants	16,255	12,724
Other active plan participants	32,655	35,333
	93,257	99,123
Unrecognized net loss	(10,621)	(17,162)
Accrued postretirement benefit cost	$82,636	$81,961

SPAN-AMERICA MEDICAL SYSTEMS, INC. (SEP)

	1995	1994
Total current liabilities	$3,047,505	$2,821,573
Long-term debt, less current portion	286,344	356,719
Deferred income taxes	626,000	773,000
Deferred compensation (Note 9)	1,218,517	1,143,493

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Deferred Compensation

In July 1993, the Company entered into a resignation agreement with its chief executive officer which amended a preexisting retirement agreement. The original retirement agreement provided for post-retirement payments, contingent on certain conditions, beginning January 1, 1996, payable over the remaining life of the executive. The Company had previously been accruing the present value of the estimated future retirement benefit payments over the period from the date of the agreement to the retirement date, January 1, 1996. Under the new agreement, the executive became fully eligible to receive the retirement benefits. Consequently, the company accrued an additional $496,300 to increase the liability to the full present value of the expected payments due over the executive's estimated life expectancy. In addition, the Company accrued $462,000 to record the liability associated with the salary continuation provision of the resignation agreement. This new agreement set forth non-compete, confidentiality and certain other provisions related to the executive's resignation. The Company recognized expense of approximately $91,000 in 1995, $84,000 in 1994, and $1,222,000 in 1993 related to these agreements.

In September 1994, the Company entered into a similar deferred compensation agreement with an executive providing for post-retirement payments, contingent on certain conditions, beginning in 2002 payable over the remaining life of the executive and spouse. The Company will accrue the present value of the estimated future retirement payments over the period from the date of the agreement to the retirement date. The Company recognized expense of approximately $121,000 in 1995 related to this agreement.

Environmental Costs

ORYX ENERGY COMPANY (DEC)

(Millions of dollars)	1995	1994
Total Current Liabilities	$ 454	$ 532
Long-term debt	1,051	1,546
Deferred income taxes	207	232
Deferred credits and other liabilities (Note 18)	163	155

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Environmental Costs

The Company accrues for environmental liabilities as such liabilities are incurred (Note 18).

18. Deferred Credits and Other Liabilities

At December 31, the Company's deferred credits and other liabilities were comprised of the following:

(Millions of dollars)	1995	1994
Employee benefit obligations	$ 92	$ 80
Deferred gains on interest rate hedges	25	32
Minority interest in consolidated subsidiaries	14	17
Accrued environmental cleanup costs	20	21
Other	12	5
	$163	$155

Environmental cleanup costs have been accrued in response to the identification of several sites that require cleanup based on environmental pollution, some of which have been designated as superfund sites by the Environmental Protection Agency (EPA). The Company has been named as a potentially responsible party (PRP) at four sites pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. At two of these sites, the Company has been named as a de minimis party and therefore expects its liability to be small. At a third site, the Company is reviewing its options and anticipates that it will participate in steering committee activities with the EPA. At the fourth and largest site, the Operating Industries, Inc. site in California, the Company has participated in a steering committee consisting of 139 companies. The steering committee and other PRPs previously entered into two partial consent decrees with the EPA providing for remedial actions which have been or are to be completed. The steering committee has successfully negotiated a third partial consent decree which provides for the following remedial actions: a clay cover, methane capturing wells, and leachate destruction facilities. The remaining work at the site involves groundwater evaluation and long-term operation and maintenance. The Company is a member of the group that is responsible for carrying out the first phase of the work, which is expected to take 5 to 8 years. Completion of all phases is estimated to take up to 30 years. The maximum liability of the group, which is joint and several for each member of the group, is ex-

pected to range from approximately $450 million to $600 million, of which the Company's share is expected to be approximately $13 million. Cleanup costs are payable over the period that the work is completed.

Based on the facts outlined above and the Company's ongoing analyses of the actions where it has been identified as a PRP, the Company believes that it has accrued sufficient amounts to absorb the ultimate cost of such actions and that such costs therefore will not have a material impact on the Company's liquidity, capital resources or financial condition. While liability at superfund sites is typically joint and several, the Company has no reason to believe that defaults by other PRPs will result in liability of the Company materially larger than expected.

TECUMSEH PRODUCTS COMPANY (DEC)

(Dollars in millions)	1995	1994
Total Current Liabilities	$269.9	$252.1
Long-term debt	14.7	9.1
Non-pension postretirement benefits	174.0	169.8
Product warranty and self-insured risks	30.0	29.5
Accrual for environmental matters	27.3	30.7
Pension liabilities	14.6	13.1
Total Liabilities	$530.5	$504.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Environmental Expenditures
Expenditures for environmental safekeeping are expensed or capitalized as appropriate. Costs associated with remediation activities are expensed. Liabilities relating to probable remedial activities are recorded when the cost of such activities can be reasonably estimated.

Note 9. Environmental Matters

The Company has been named by the EPA as a potentially responsible party in connection with the Sheboygan River and Harbor Superfund Site in Wisconsin. At December 31, 1995, the Company had an accrual of $30.1 million ($31.9 million at December 31, 1994) for estimated costs associated with the cleanup of certain PCB contamination at this Superfund Site. The Company has based the estimated cost of cleanup on ongoing engineering studies, including engineering samples taken in the Sheboygan River, and assumptions as to the areas that will have to be remediated along with the nature and extent of the remediation that will be required. Significant assumptions underlying the estimated costs are that remediation will involve innovative technologies, including (but not limited to) bioremediation near the Company's plant site and along the Upper River, and only natural armoring and bioremediation in the Lower River and Harbor. The EPA has indicated it expects to issue a record of decision on the cleanup of the Sheboygan River and Harbor Site in the third quarter of 1996, but the ultimate resolution of the matter may take much longer. Ultimate costs to the Company will be dependent upon factors beyond its control such as the scope and methodology of the remedial action requirements to be established by the EPA (in consultation with the State of Wisconsin), rapidly changing technology and the outcome of any related litigation.

The Company, in cooperation with the Wisconsin Department of Natural Resources, is conducting an investigation of soil and groundwater contamination at the Company's Grafton, Wisconsin plant. Certain test procedures are underway to assess the extent of contamination and to develop remedial options for the site. While the Company has provided for estimated investigation and on-site remediation costs, the extent and timing of future off-site remediation requirements, if any, are not presently determinable.

In addition to the above mentioned sites, the Company also is currently participating with the EPA and various state agencies at certain other sites to determine the nature and extent of any remedial action which may be necessary with regard to such other sites. Based on limited preliminary data and other information currently available, the Company has no reason to believe that the level of expenditures for potential remedial action necessary at these other sites will have a material effect on its financial position.

Reclamation And Closure Costs

HECLA MINING COMPANY (DEC)

(Dollars in thousands)	1995	1994
Total current liabilities	$25,965	$23,485
Deferred income taxes	359	359
Long-term debt	36,104	1,960
Accrued reclamation and closure costs	26,782	27,162
Other noncurrent liabilities	4,864	4,098
Total liabilities	94,074	57,064

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

G. Reclamation of Mining Areas
All of the Company's operations are subject to reclamation and closure requirements. Minimum standards for mine reclamation have been established by various governmental agencies which affect certain operations of the Company. A reserve for mine reclamation costs has been established for restoring certain abandoned and currently disturbed mining areas based upon estimates of cost to comply with existing reclamation standards. Mine reclamation costs for operating properties are accrued using the unit-of-production method. The estimated amount of metals or minerals to be recovered from a mine site is based on internal and external geological data and is reviewed by management on a periodic basis. Changes in such estimated amounts which affect reclamation cost accrual rates are reflected on a prospective basis unless they indicate there is a current impairment of an asset's carrying value and a decision is made to permanently close the property, in which case they are recognized currently. It is reasonably possible that the Company's estimate of its ultimate accrual for

reclamation costs will change in the near term due to possible changes in laws and regulations, and interpretations thereof, and changes in cost estimates.

Insurance Claims

LANCE, INC. (DEC)

(In thousands)	1995	1994
Other liabilities and deferred credits:		
Deferred income taxes	$ 7,300	$19,243
Accrued postretirement health care costs	8,808	8,078
Accrual for insurance claims (Note 1)	7,989	4,219
Supplemental retirement benefits	3,874	3,322
Total other liabilities and deferred credits	$27,971	$34,862

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Insurance Claims

The accrual for insurance claims represents the estimated liability outstanding on actual claims reported and an estimate of claims incurred but not yet reported.

During the year ended December 30, 1995, the Company modified its assumptions for future cost increases of incurred but unpaid workers' compensation, auto, general and product liability insurance claims. The result was a change in accounting estimate which increased insurance expense by $2,958,000 and reduced net income and net income per share by $1,923,000 and $.06 respectively, in 1995.

Litigation Settlement

ALLIANT TECHSYSTEMS INC. (MAR)

(Dollars in thousands)	1995	1994
Total current liabilities	$335,957	$254,501
Long-term debt	395,000	—
Post-retirement and post-employment benefits liability	93,844	29,494
Pension and other long-term liabilities	44,229	37,625
Restructuring liability—long term	26,740	7,600
Litigation settlement liability—long term	11,500	—
Deferred income tax liability	4,179	16,991
Total liabilities	911,449	346,211

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

17. Litigation Settlement

The Company has been a defendant in a *"qui tam"* lawsuit by claimants, including present and former employees of Accudyne Corporation, alleging violations of the False Claims Act. The alleged violations occurred prior to the acquisition of Accudyne by the Company in October 1993. The claimants assert that alleged violations of unspecified environmental laws caused subsequently submitted invoices to the U.S. government to constitute false claims. The claimants also assert testing irregularities and related false certifications in connection with the Modular Pack Mine Systems ("MOPMS") contract. The government joined the case, but did not join in the claimants' environmental allegations. The government has alleged total damages of approximately $46,700, prior to any trebling under the False Claims Act. In addition to damages, a judgment against the Company in such a lawsuit could carry penalties of suspension or debarment, which could make all or some of the Company's operations ineligible to be awarded any government contracts for a period of up to three years. The Company believes there is no basis under the False Claims Act for the claimants' allegation for alleged environmental violations, and does not believe that liability exists for the allegations related to the MOPMS contract.

Nonetheless, to avoid the expense and disruption of protracted litigation, the Company and claimants on June 23, 1995, reached a preliminary agreement to settle the lawsuit, subject to final approval by the court. Terms of the agreement include payment by the Company of $12,000, consisting of an immediate payment of $500 and subsequent payments of $3,000 in April 1996, $4,000 in April 1997, and $4,500 in June 1998, plus interest at the three-year Treasury Bill rate. In addition, legal costs of approximately $3,000 will be paid. Accordingly, the Company recorded an unusual charge of $15,000 as of the fourth quarter of fiscal 1995.

Preferred Stock of Subsidiary

INTERNATIONAL PAPER COMPANY (DEC)

(In millions)	1995	1994
Total current liabilities	$4,863	$4,034
Long-term debt	5,946	4,464
Deferred income taxes	1,974	1,612
Other liabilities	980	870
Minority interest	1,967	342
International Paper-Obligated Mandatorily Redeemable Preferred Securities of Trust Holding Solely International Paper Subordinated Debentures—Note 7	450	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Preferred Securities of Subsidiary

In the third quarter of 1995, International Paper Capital Trust (the Trust) issued $450 million of International Paper-obligated mandatorily redeemable preferred securities. The Trust is a wholly owned consolidated subsidiary of International Paper and its sole assets are International Paper 5% convertible subordinated debentures. The obligations of the Trust related to its preferred securities are fully and unconditionally guaranteed by International Paper. These preferred securities are convertible into International Paper common stock. Preferred securities distributions of $10 million were paid in 1995.

Put Options

POTLATCH CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Total current liabilities	$349,183	$228,590
Long-term debt	616,132	633,473
Other long-term obligations	145,022	147,877
Deferred taxes	180,235	151,082
Put options (Notes 8 and 9)	12,247	

NOTES TO FINANCIAL STATEMENTS

8. Put Options

In December 1994, the company announced a stock repurchase program which authorizes the company to purchase up to 1 million shares of its common stock over several years. Under the program, the company can purchase shares of common stock from time to time through open market and privately negotiated transactions at prices deemed appropriate by management.

In conjunction with the repurchase program, the company issued put options which gave the purchaser the right to sell shares of Potlatch stock to the company at prices ranging from $40.38 to $41.50 per share on specific dates in 1995, 1996 and 1997. Activity during the year is summarized as follows:

	Put Options Outstanding	
(Dollars in thousands)	Number of Options	Potential Obligation
December 31, 1994	—	$ —
Sales	400,000	16,397
Repurchases	(100,000)	(4,150)
December 31, 1995	300,000	$12,247

The company's potential obligation of $12.2 million at December 31, 1995, is classified as Put options in the Balance Sheets and the related offset is recorded in Common shares in treasury under Stockholders' equity.

9. Disclosures About Fair Value of Financial Instruments

Estimated fair values of the company's financial instruments:

(Dollars in thousands)	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and short-term investments	$110,154	$110,154	$10,494	$10,494
Current notes payable	—	—	12,881	12,880
Long-term debt	738,150	792,448	652,304	658,541
Put options	12,247	12,247	—	—

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 and Short-Term Investments
For short-term investments, the carrying amount approximates fair value. Short-term investments include bank certificates of deposit, repurchase agreements, money market preferreds and various other investment grade securities which can be readily purchased or sold using established markets. Short-term investments at December 31, 1994, included $45.3 million for the company's investment in corporate owned life insurance (COLI). COLI does not qualify as a financial instrument and therefore is not included in the fair values stated above.

Current Notes Payable
The fair value of the company's current notes payable, which consists of commercial paper, is estimated based upon the quoted market prices for the same or similar issues.

Long-Term Debt
The fair value of the company's long-term debt is estimated based upon the quoted market prices for the same or similar debt issues. The amount of long-term debt for which there is no quoted market price is immaterial and the carrying amount approximates fair value.

Put Options
The fair value of the company's put options is estimated based upon the underlying contracts for the options.

Common Stock Of Subsidiary Subject To Redemption

THERMO ELECTRON CORPORATION (DEC)

(In thousands)	1995	1994
Long-term obligations		
Senior convertible obligations	$ 458,925	$ 620,000
Subordinated convertible obligations	343,076	186,661
Tax-exempt obligations	128,567	130,985
Nonrecourse tax-exempt obligations	94,700	95,300
Other	90,743	16,904
	1,116,011	1,049,850
Minority interest	471,648	327,734
Common stock of subsidiary subject to redemption ($18,450 redemption value)	17,513	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Common Stock of Subsidiary Subject to Redemption
In March 1995, ThermoLyte sold 1,845,000 units, each unit consisting of one share of ThermoLyte common stock and one redemption right, at $10.00 per unit, for net proceeds of $17.3 million. Holders of the common stock purchased in the offering will have the option to require ThermoLyte to redeem in December 1998 or 1999 any or all of their shares at $10.00 per share. The difference between the redemption value and the original car-

rying amount of common stock of subsidiary subject to redemption is accreted over the period ending December 1998, which corresponds to the first redemption period. The accretion is charged to minority interest expense in the accompanying statement of income.

Deferred Credits

FIRST BRANDS CORPORATION (JUN)

(In thousands)	1995	1994
Total current liabilities	$248,288	$238,107
Long-term debt	166,279	153,430
Deferred income taxes	54,524	44,177
Other long-term obligations	16,040	12,148
Deferred gain on sale of assets (Note 9)	2,637	5,393

Note 9 (In Part): Leases

As of June 30, 1995, equipment with book values totaling $117,067,000 has been removed from the balance sheet, and the gains realized on the sale transactions totaling $5,075,000 have been deferred and are being credited to income as rent expense adjustments over the lease terms. The average yearly rental for all equipment leases is $18,990,000.

JACOBS ENGINEERING GROUP INC. (SEP)

(Dollars in thousands)	1995	1994
Total Current Liabilities	$255,275	$261,427
Long-term debt	17,799	25,000
Deferred gains on real estate transactions	1,845	2,665
Other deferred liabilities	20,267	14,839

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

1 (In Part): Accounting Policies

Deferred Gains on Real Estate Transactions

In 1983, the Company entered into a real estate transaction which resulted in a gain totaling $12,300. Since the transaction involved a long-term lease agreement, the gain was deferred and is being amortized ratably into income over the lease term (which ends December 31, 1997).

STEPAN COMPANY (DEC)

(Dollars in thousands)	1995	1994
Total current liabilities	$86,899	$80,456
Deferred income taxes	36,469	32,976
Long-term debt, less current maturities	109,023	89,795
Deferred revenue (Note 10)	7,659	10,419

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Deferred Revenue

During 1994, the company received prepayments on certain multi-year commitments for future shipments of products. As the commitments are fulfilled, a proportionate share of the deferred revenue is recognized into income. Related deferred revenue at December 31, 1995 and 1994 is $10,059,000 and $12,819,000, respectively, of which the amount recognizable within one year is included in the "Accrued Liabilities" caption of the Consolidated Balance Sheets.

STONE CONTAINER CORPORATION (DEC)

(In millions)	1995	1994
Total current liabilities	$ 701.7	$1,031.5
Senior long-term debt	2,807.3	2,488.5
Subordinated debt	809.2	1,159.6
Non-recourse debt of consolidated affiliates	268.6	783.8
Other long-term liabilities	313.0	290.2
Deferred taxes	493.1	381.4
Minority interest	.7	221.8

NOTES TO FINANCIAL STATEMENTS

16 (In Part): Additional Information Relating to the Consolidated Financial Statements

Other Long-term Liabilities:

Included in other long-term liabilities at December 31, 1995 and 1994 is approximately $42.0 million and $47.0 million, respectively, of deferred income relating to the October 1992 sale of an energy contract at the Company's Hopewell mill. This amount is being amortized over a 12-year period.

TERRA INDUSTRIES INC. (DEC)

(In thousands)	1995	1994
Total current liabilities	$ 456,123	$ 449,482
Long-term debt	407,162	511,706
Deferred income taxes	111,871	84,246
Other liabilities	138,218	53,477
Minority interest	182,901	170,630
Commitments and contingencies		
Total liabilities	$1,296,275	$1,269,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Port Neal Casualty

On December 13, 1994, the Corporation's Port Neal facility in Iowa was extensively damaged as a result of an explosion. There were four employee fatalities plus injuries or damages to other people and property. Insurance was in force to cover damage to the Corporation's property, business interruption and third party liability claims. A $7 million pretax charge was recorded in 1994 for expected uninsured costs associated with the incident, including deductibles. As of December 31, 1995, the Corporation had received interim payments of $175.3 million on its claim. The Corporation is in discussions with its insurers as to additional insurance proceeds which the Corporation believes it should be entitled. Estimated lost profits recoverable under the business interruption policy are being included in income. Insurance proceeds received un the Corporation's property damage claim are being deferred pending final settlement of the claim. The Corporation has invested additional funds for other enhancements and improvements at the Port Neal facility.

The Corporation expects to record a substantial nonrecurring gain, representing the difference between the property insurance settlement on the Port Neal facility with the Corporation's insurers and the carrying value of the facility at the time of the explosion. The amount of the gain will be dependent on final construction, clean-up expenditures and the settlement reached with the Corporation's insurance carriers. As of December 31, 1995, $80.3 million has been recorded as a deferred gain and is included in other liabilities.

VISHAY INTERTECHNOLOGY, INC. (DEC)

(In thousands)	1995	1994
Total current liabilities	$228,912	$232,239
Long-term debt—less current portion	228,610	402,337
Deferred income taxes	42,044	32,554
Other liabilities	59,866	37,623
Accrued pension costs	76,046	75,229

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Grants

Grants received from governments by certain foreign subsidiaries, primarily in Israel, are recognized as income in accordance with the purpose of the specific contract and in the period in which the related expense is incurred. Grants received from the government of Israel and recognized as a reduction of costs of products sold were $13,243,000, $10,999,000, and $3,424,000 for the years ended December 31, 1995, 1994, and 1993, respectively. Grants receivable of $20,585,000 and $16,674,000 are included in other current assets at December 31, 1995 and 1994, respectively. Deferred grant income of $30,849,000 and $11,111,000 is included in other liabilities at December 31, 1995 and 1994, respectively. The grants are subject to conditions, including maintaining specified levels of employment for periods up to ten years. Noncompliance with such conditions could result in repayment of grants, however, management expects that the Company will comply with all terms and conditions of grants.

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 appears occasionally in the financial statements of the survey companies.

TABLE 2-30: USE OF TERM "RESERVE"

	Number of Companies			
	1995	1994	1993	1992
To describe deductions from assets for				
Reducing inventories to LIFO cost	43	47	38	32
Doubtful accounts	23	21	18	17
Accumulated depreciation	4	3	4	4
Other—described	14	6	9	10
To describe accruals for				
Estimated expenses relating to property abandonments or discontinued operations	25	33	32	26
Insurance	19	23	15	16
Environmental costs	19	17	17	12
Employee benefits or compensation	6	8	5	5
Other—described	23	14	13	14
Other—not described	3	1	3	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

	1995	1994	1993	1992
Shareholders' Equity	248	255	257	254
Stockholders' Equity	256	249	249	239
Shareowners' Equity	23	24	20	20
Common Stockholders' Equity	16	13	12	15
Shareholders' Investment	14	9	15	14
Common Shareholders' Equity	10	8	7	11
Stockholders' Investment	4	9	10	10
Other or no title	29	33	30	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

	1995	1994	1993	1992
Common stock with:				
No preferred stock	457	448	438	450
One class of preferred stock	115	118	127	112
Two classes of preferred stock	24	28	29	31
Three or more classes of preferred stock	4	6	6	7
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	58	59	61	54

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

	1995	1994	1993	1992
Par value stock shown at:				
Par value	568	573	572	570
Amount in excess of par	19	18	23	15
Assigned per share amount	9	5	9	9
No par value stock shown at:				
Assigned per share amount	14	18	13	13
No assigned per share amount	53	51	49	49
Issues Outstanding	**663**	**665**	**666**	**656**

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			
	1995	**1994**	**1993**	**1992**
Par value stock shown at:				
Par value	63	66	71	69
Liquidation or redemption value	24	24	25	24
Assigned per share amount	5	9	12	9
Fair value at issuance date	4	2	3	5
Other	10	12	6	7
No par value stock shown at:				
Liquidation or redemption value	19	19	20	27
Assigned per share amount	13	13	19	17
Fair value at issuance date	3	3	4	3
No assigned per share amount	15	23	16	11
Number of Companies				
Preferred stock outstanding	145	160	162	152
No preferred stock outstanding	455	440	438	448
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended At Par Value

ALUMAX INC. (DEC)

(Millions of Dollars, Except Per Share Amounts)	1995	1994
Stockholders' Equity:		
Preferred stock of $1.00 par value—authorized 50,000,000 shares; issued and outstanding 2,333,320 shares of Series A Convertible Preferred Stock ($116.7 aggregate liquidation value)	$ 2.3	$ 2.3
Common stock of $.01 par value—authorized 200,000,000 shares; issued and outstanding 44,780,179 shares in 1995 and 44,585,012 shares in 1994	.4	.4
Paid-in capital	909.5	903.8
Retained earnings	483.6	255.5
Cumulative foreign currency translation adjustment	3.5	.1
Total stockholders' equity	1,399.3	1,162.1

NOTES TO FINANCIAL STATEMENTS

Note 13. Stockholders' Equity

Preferred Stock—Each share of Alumax Series A Preferred Stock is convertible into 4.1148 shares of Alumax Common Stock. The Alumax Series A Preferred Stock is entitled to a cumulative annual dividend of $4.00. On December 18, 1996, shares may be redeemed at the Company's option at $52.40 and thereafter at premiums declining ratably annually to $50.00 per share on or after December 18, 2002 plus, in each case, accrued and unpaid dividends. Upon involuntary liquidation, holders are entitled to receive $50.00 per share. Based on the current price of Alumax Common Stock, the Company expects all of the holders of Series A Preferred Stock to convert these shares to Alumax Common Stock prior to December 31, 1996. These conversions will result in the issuance of approximately 9,600,000 additional shares of Alumax Common Stock.

CHRYSLER CORPORATION (DEC)

In millions of dollars	1995	1994
Shareholders' Equity (Note 10): *(shares in millions)*		
Preferred stock—$1 per share par value; authorized 20.0 shares; Series A Convertible Preferred Stock; issued and outstanding: 1995 and 1994-0.1 and 1.7 shares, respectively (aggregate liquidation preference $68 million and $863 million, respectively)	$ *	$ 2
Common stock—$1 per share par value; authorized 1,000.0 shares; issued: 1995 and 1994-408.2 and 364.1 shares, respectively	408	364
Additional paid-in capital	5,506	5,536
Retained earnings	6,280	5,006
Treasury stock—at cost: 1995-29.9 shares; 1994-9.0 shares	(1,235)	(214)
Total Shareholders' Equity	10,959	10,694

* Less than $1 million

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Shareholders' Equity

The annual dividend on the Series A Convertible Preferred Stock (the "Preferred Stock") is $46.25 per share. The Preferred Stock is convertible, unless previously redeemed, at a rate (subject to adjustment in certain events) of 27.78 shares of common stock for each share of Preferred Stock. The Preferred Stock is not redeemable prior to January 22, 1997. Thereafter, Chrysler may redeem the Preferred Stock, in whole or in part, at $523.13 per share of Preferred Stock for the period ending December 31, 1997 and thereafter declining ratably annually to $500.00 per share after December 31, 2001, plus accrued and unpaid dividends. During 1995, holders of substantially all of the Preferred Stock converted their shares into shares of common stock.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

(in millions, except share amounts)	1995	1994
Shareholders' equity:		
Preferred Stock of $0.50 par value. Authorized 1,000,000 shares. Convertible preferred stock: Issued and outstanding 345,000 shares in 1995 and 1994 (liquidation preference of $172.5)	$ 0.2	$ 0.2
Common stock of $0.50 par value. Authorized 300,000,000 shares. Issued and outstanding 122,800,405 in 1995; 122,800,095 in 1994	63.1	61.4
Additional paid-in capital	992.3	912.7
Retained earnings	411.0	140.9
Treasury Stock, at cost: 3,094,896 shares in 1995; 500,000 shares in 1994	(59.9)	(9.5)
Total shareholders' equity	$1,406.7	$1,105.7

Note 8 (In Part): Shareholders' Equity

In March 1994, National called for redemption in April 1994 of all of the issued and outstanding shares of the $40.00 Convertible Exchangeable Preferred Shares, $0.50 par value (the "Exchangeable Preferred Shares"). In connection with the redemption, a conversion privilege offered by National to holders of the Exchangeable Preferred Shares expired on the redemption date. Essentially all Exchangeable Preferred Shares were converted by the holders into the Company's common stock at the rate of 33 shares of common stock for each Exchangeable Preferred Share. All remaining shares were redeemed and the Company issued shares of common stock that would have been issued to the holders of the Exchangeable Preferred Shares had they elected to convert, in accordance with standby arrangements entered into by the Company. After the redemption and conversion were complete, a total 8,250,000 shares of common stock had been issued.

At May 28, 1995, National had 345,000 shares of $32.50 Convertible Preferred Shares, $0.50 par value (the "Convertible Preferred Shares") issued and outstanding. The Convertible Preferred Shares were issued in October 1992. The liquidation preference of each Convertible Preferred Share is $500 plus unpaid dividends. The Convertible Preferred Shares are convertible at any time at the option of the holder into common stock at the rate of 35.273 shares of common stock for each Convertible Preferred Stock. On or after November 1, 1995, and if the closing price of the Company's common stock on the New York Stock Exchange exceeds $17.72 for twenty trading days within any period of thirty consecutive trading days, the Convertible Preferred Shares are redeemable, in whole or in part, at the option of the Company for the number of shares of common stock as are issuable at a conversion rate of 35.273 shares of common stock for each Convertible Preferred Share. The Convertible Preferred Shares are not entitled to the benefit of any sinking fund. Dividends on the Convertible Preferred Shares at an annual rate of $32.50 per share are cumulative and payable quarterly in arrears, when and as declared by the Company's Board of Directors. Holders of Convertible Preferred Shares are entitled to limited voting rights.

Preferred Stock Extended At Stated Value

THE BLACK & DECKER CORPORATION (DEC)

(Millions of Dollars)	1995	1994
Stockholders' Equity		
Convertible preferred stock (outstanding: December 31, 1995 and 1994—150,000 shares)	$150.0	$150.0
Common stock (outstanding: December 31, 1995—86,447,588 shares, December 31, 1994—84,688,803 shares)	43.2	42.3
Capital in excess of par value	1,084.5	1,049.1
Retained earnings	202.6	24.6
Equity adjustment from translation	(57.1)	(96.6)
Total Stockholders' Equity	1,423.2	1,169.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Stockholders' Equity

The Corporation has one class of $.50 par value common stock with 150,000,000 authorized shares. The Corporation has authorized 5,000,000 shares of preferred stock without par value, of which 1,500,000 shares have been designated at Series A Junior Participating Preferred Stock (Series A) and 150,000 shares have been designated as Series B Cumulative Convertible Preferred Stock (Series B).

Holders of Series B stock are entitled to dividends, payable quarterly, at an annual rate of $77.50 per share. In accordance with the terms of the Articles Supplementary that set forth the terms and conditions of the Series B stock, each share of Series B stock now is convertible into 43 shares of common stock and is entitled to 43 votes on matters submitted generally to the stockholders of the Corporation. The conversion rate and the number of votes per share are subject to adjustment under certain circumstances pursuant to anti-dilution provisions. The Corporation has reserved 6,350,000 shares of common stock for issuance upon conversion of the shares of Series B stock. The shares of Series B stock are not redeemable at the option of the Corporation until September 2001. For a 90-day period thereafter, the Corporation is entitled to redeem all, but not less than all, of the shares of Series B stock at a redemption price equal to the current market price of the shares of common stock into which the Series B stock is then convertible. The shares of Series B stock are not subject to redemption at the option of the holders of the shares under any circumstances. The Corporation also has the option, after September 1996, to require the conversion of the shares of Series B stock into shares of common stock if the current

market price of shares of common stock is at least equal to $39.45 per share (subject to adjustment) for a period of 20 trading days out of 30 consecutive trading days.

In connection with the sale of the Series B stock, the Corporation and the purchaser of Series B stock entered into a standstill agreement that includes, among other things, provisions limiting the purchaser's ownership and voting of shares of the Corporation's capital stock, provisions limiting actions by the purchaser with respect to the Corporation, and provisions generally restricting the purchaser's equity interest to 15%. The standstill agreement expires in September 2001.

USX CORPORATION (DEC)

(Dollars in millions)	1995	1994
Stockholders' Equity		
Preferred stocks (Note 20):		
Adjustable Rate Cumulative issued - 2,099,970 shares in 1994	$ —	$ 105
6.50% Cumulative Convertible issued - 6,900,000 shares ($345 liquidation preference)	7	7
Common stocks:		
Marathon Stock issued - 287,398,342 shares and 287,185,916 shares (par value $1 per share, authorized 550,000,000 shares)	287	287
Steel Stock issued - 83,042,305 shares and 75,969,771 shares (par value $1 per share, authorized 200,000,000 shares)	83	76
Delhi Stock issued - 9,446,769 shares and 9,437,891 shares (par value $1 per share, authorized 50,000,000 shares)	9	9
Additional paid-in capital	4,094	4,168
Accumulated deficit	(116)	(330)
Other equity adjustments	(36)	(20)
Total stockholders' equity	4,328	4,302

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Preferred Stock

USX is authorized to issue 40,000,000 shares of preferred stock, without par value:

Adjustable Rate Cumulative Preferred Stock - In 1995, all of the outstanding shares of this preferred stock were redeemed at $50 per share or $105 million. In 1995, dividend rates on an annualized basis ranged from 7.50% to 8.35% during the period the stock was outstanding.

6.50% Cumulative Convertible Preferred Stock (6.50% Convertible Preferred Stock) - As of December 31, 1995, 6,900,000 shares (stated value of $1.00 per share; liquidation preference of $50.00 per share) were outstanding. The 6.50% Convertible Preferred Stock is convertible at any time, at the option of the holder, into shares of Steel Stock at a conversion price of $46.125 per share of Steel Stock, subject to adjustment in certain circumstances. On and after April 1, 1996, this stock is redeemable at USX's sole option, at a price of $52.275 per share, and thereafter at prices declining annually on each April 1 to an amount equal to $50.00 per share on and after April 1, 2003.

Preferred Stock Extended At Redemption Or Liquidating Value

CMI CORPORATION (DEC)

(dollars in thousands)	1995	1994
Redeemable preferred stock:		
Redemption value $4,537 in 1995 and $5,908 in 1994 including cumulative dividends in arrears; shares outstanding - 3,450 and 4,500 at December 31, 1995 and 1994, respectively	$ 4,537	$ 5,908
Common stock and other capital:		
Common stock:		
Par value $.10; shares issued and outstanding - 621 at December 31, 1995 and 1994	—	—
Class A common stock:		
Par value $.10; shares issued and outstanding - 20,381,383 and 20,351,591 at December 31, 1995 and 1994, respectively	2,038	2,035
Additional paid-in capital	46,001	46,229
Retained earnings (accumulated deficit)	11,360	(6,131)
	59,399	42,133

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Redeemable Preferred Stock

In connection with a 1985 acquisition, the company issued 4,800 shares of 7% Series B preferred stock with a $4,800,000 redemption value. The preferred stock accrues dividends at the rate of $70 per share per year. The cumulative dividends are payable each January and July and must be fully paid or declared with funds set aside for payment before any dividend can be declared or paid on any other class of the company's stock. The preferred stock carries a redemption price of $1,000 per share. The company redeemed 300 shares of its redeemable preferred stock in 1988. The company did not redeem 750 shares in each of the years 1990 through 1994 and did not redeem 500 shares in 1989 for a total of $4,250,000. The company made dividend payments of $157,500 in July 1994 and January 1995. Accrued cumulative dividends were $1,417,500 ($315 per share) at December 31, 1994. In 1995, 250 shares of the preferred stock were scheduled for redemption. Terms of the preferred stock agreement provide that if two consecutive dividend payments or redemptions are not made, the company's Board of Directors may be increased by one and the preferred stockholder shall have the exclusive right to elect an individual to fill such newly created directorship. These special voting rights will continue until the dividend payments and redemptions are made. The preferred stockholder did not exercise the special voting rights granted under the preferred stock agreement, but filed suit in November 1994 against the company seeking (i) payment of the accumulated dividends and (ii) redemption of 4,250 shares of the preferred stock not redeemed at December 31, 1994.

During 1995, the company and the preferred stockholder entered into a stock purchase agreement (the "agreement"). The agreement provides that the company

will purchase the 4,500 shares of preferred stock outstanding in a series of installments, with all shares to be purchased by December 31, 1996. The purchase price to be paid by the company to the preferred stockholder for each share of preferred stock will be $1,000, plus all dividends accrued but unpaid on such share to and including the business day immediately preceding the applicable purchase date.

Under terms of the agreement, the preferred stockholder agreed to dismiss without prejudice all claims asserted in the lawsuit filed against the company in November 1994. The preferred stockholder also agreed that, so long as the company fulfills its obligations under the agreement, (i) an aggregate dividend of not more than $300,000 may, at the company's discretion, be declared and paid by the company in each of 1995 and 1996 to holders of the company's voting class A common stock and voting common stock, $0.10 par value, and (ii) the preferred stockholder will not attempt to exercise its right to elect a new member to the company's Board of Directors.

During 1995, the company paid $1.4 million for the redemption of 1,050 shares of preferred stock, plus accrued dividends. The company also made semi-annual dividend payments on all remaining preferred stock shares outstanding of $131,250 and $120,750 in July 1995 and January 1996, respectively. Accrued cumulative dividends were $1,087,000 on the 3,450 preferred stock shares outstanding at December 31, 1995. As of December 31, 1995 the company was in compliance with terms of the agreement.

THE TIMES MIRROR COMPANY (DEC)

(In thousands of dollars)	1995	1994
Shareholders' Equity		
Series A preferred stock, $1 par value; 900,000 shares authorized; 824,000 shares issued; stated at liquidation value	$411,784	
Series B preferred stock, $1 par value; 25,000,000 shares authorized; 7,789,000 shares issued; stated at liquidation value; convertible to Series A common stock	164,595	
Preferred stock, $1 par value; 7,100,000 shares authorized; no shares issued		
Common stock		
Series A, $1 par value; 500,000,000 shares authorized; 77,765,000 and 99,024,000 shares issued	77,765	99,024
Series B, $1 par value; 100,000,000 shares authorized; no shares issued		
Series C, convertible, $1 par value, 300,000,000 shares authorized; 27,933,000 and 30,939,000 shares issued	27,933	30,939
Additional paid-in capital	192,266	167,989
Retained earnings	875,981	1,720,725
Net unrealized gain on securities	55,912	
	1,806,236	2,018,586
Less treasury stock, at cost; 1,345,000 Series A common shares		61,543
	1,806,236	1,957,043

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 - Capital Stock and Stock Repurchase Program

The Series A and Series B preferred stocks are cumulative, non-voting shares that were issued in 1995 in connection with the reorganization described in Note 2. The Series A preferred stock has an annual dividend rate of 8% of its liquidation value of $411,784,000. The Series B preferred stock has an annual dividend rate of $1.374 per share. Both series of preferred stock are entitled to dividends effective March 1, 1995. The Series B preferred stock is convertible into the company's Series A common stock on April 1, 1998, or earlier under certain circumstances. The conversion rate fluctuates with the value of the common stock, but it will not exceed a one-for-one conversion rate. Preferred stock is issuable in series under such terms and conditions as the board of directors may determine.

Shares of Series A and Series C common stock are identical, except with respect to voting rights, restrictions on transfer of Series C shares and the right to convert Series C shares into Series A shares. Series A shares are entitled to one vote per share and Series C shares are entitled to ten votes per share. Series C shares are subject to mandatory conversion into Series A shares upon transfer to any person other than a "Permitted Transferee" as defined in the company's Certificate of Incorporation or upon the occurrence of certain regulatory events. Series B common stock is entitled to one-tenth vote per share and is available for common stock issuance transactions, such as underwritten public offerings and acquisitions.

During 1995, the company repurchased 7,042,000 common shares for a total cost of $218,091,000 and 8,772,000 shares of Series B preferred stock for a total cost of $228,445,000. About 40% of the Series B shares were acquired through a tender offer which closed on December 29, 1995. "Other current liabilities" in the consolidated balance sheets at December 31, 1995 include $91,182,000 for settlement of the tender offer on January 6, 1996. The common shares purchased under this program are intended, in part, to offset dilution from shares of common stock issued under the company's stock-based employee compensation and benefit program.

As of December 31, 1995, the repurchase program for common stock had been expanded. Up to 12,000,000 shares of common stock may be repurchased in the open market over the next three years.

UNOCAL CORPORATION (DEC)

Millions of Dollars	1995	1994
Stockholders' Equity		
Preferred stock ($0.10 par value, stated at liquidation value of $50 per share)		
Shares authorized: 100,000,000		
Shares outstanding: 10,250,000 in 1995 and 1994	$513	$513
Common stock ($1 par value)		
Shares authorized: 750,000,000		
Shares outstanding: 247,310,376 in 1995; 244,198,701 in 1994	247	244
Capital in excess of par value	319	237
Foreign currency translation adjustment	(10)	(13)
Unearned portion of restricted stock issued	(13)	(13)
Retained earnings	1,874	1,847
Total stockholders' equity	2,930	2,815

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Capital Stock

Preferred Stock

The company has authorized 100,000,000 shares of preferred stock with a par value of $0.10 per share. In July 1992, the company issued 10,250,000 shares of $3.50 convertible preferred stock. The convertible preferred stock is redeemable on and after July 15, 1996, in whole or in part, at the option of the company, at a redemption price of $52.10 per share declining to $50 per share on and after July 15, 2002, together with accumulated but unpaid dividends. The convertible preferred stock has a liquidation value of $50 per share and is convertible at the option of the holder into common stock of the company at a conversion price of $30.75 per share, subject to adjustment in certain events. Dividends on the preferred stock at an annual rate of $3.50 per share are cumulative and are payable quarterly in arrears, when and as declared by Unocal's Board of Directors (the Board). Holders of the preferred stock have no voting rights. However, there are certain exceptions including the right to elect two additional directors if the equivalent of six quarterly dividends payable on the preferred stock are in default.

Fair Value

DREYER'S GRAND ICE CREAM, INC. (DEC)

($ in thousands, except per share amounts)	1995	1994
Redeemable convertible Series B preferred stock, $1 par value - 1,008,000 shares authorized; 1,008,000 shares and no shares issued and outstanding in 1995 and 1994, respectively	$98,382	
Stockholders' Equity:		
Preferred stock, $1 par value - 8,992,000 shares authorized; no shares issued or outstanding in 1995 and 1994		
Common stock, $1 par value - 30,000,000 shares authorized; 12,929,000 shares and 14,064,000 shares issued and outstanding in 1995 and 1994, respectively	12,929	14,064
Capital in excess of par	39,370	75,257
Retained earnings	39,964	46,600
Total stockholders' equity	92,263	135,921

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Redeemable Convertible Series B Preferred Stock

On August 8, 1995, the Company converted $100,752,000 of 6% convertible subordinated debentures into 1,008,000 shares of redeemable convertible Series B preferred stock (Series B), redeemable on June 30, 2001. On the conversion date, $2,538,000 of unamortized debenture issuance costs were charged against the carrying value of the debentures to arrive at the carrying value of $98,214,000 for this preferred stock. The Company is recording accretion to increase the carrying value to the redemption value of $100,752,000 by June 30, 2001, the redemption date.

The Series B preferred stock is convertible, under certain conditions, into a total of 1,008,000 shares of Series A Convertible Preferred Stock (Series A), redeemable on June 30, 2001. Additionally, both the Series A preferred

stock and Series B preferred stock are convertible, under certain conditions, at an initial conversion price of $34.74 into a total of 2,900,000 shares of common stock. Series B preferred stock can be called by the Company for early redemption, subject to certain limitations.

In preference to shares of common stock, shares of both the Series A preferred stock and the Series B preferred stock are entitled to receive cumulative cash dividends, payable quarterly in arrears. The Company pays dividends for the Series B preferred stock of approximately $1,143,000 per quarter. Dividends on the Series A preferred stock are payable at a dividend rate equal to the amount they would receive as if the shares were converted into comparable shares of common stock.

ADDITIONAL PAID-IN CAPITAL

Table 2-35 lists the balance sheet captions used to describe additional paid-in capital. Examples of descriptive captions for additional paid-in capital are shown in this section in connection with discussions of the other components of stockholders' equity.

TABLE 2-35: ADDITIONAL PAID-IN CAPITAL—CAPTION TITLE

	1995	1994	1993	1992
Additional paid-in capital	256	248	245	242
Capital in excess of par or stated value	145	145	147	148
Paid-in capital	46	48	48	45
Additional capital, or other capital	36	36	41	41
Capital surplus	30	31	32	34
Paid-in surplus	2	2	2	4
Other captions	12	18	15	17
	527	528	530	531
No additional paid-in capital account	73	72	70	69
Total Companies	**600**	**600**	**600**	**600**

RETAINED EARNINGS

Table 2-36 indicates that most of the survey companies use the term *retained earnings.* Examples of descriptive captions used for retained earnings are shown below and in connection with discussions of other components of stockholders' equity.

TABLE 2-36: RETAINED EARNINGS—CAPTION TITLE

	1995	1994	1993	1992
Retained Earnings	462	455	460	460
Retained Earnings with additional words	7	7	8	10
Earnings with additional words	35	34	32	33
Income with additional words	11	9	10	13
Earned Surplus	1	1	2	2
Retained Earnings (Deficit)	37	41	33	35
Accumulated Deficit	47	53	55	47
Total Companies	**600**	**600**	**600**	**600**

ERLY INDUSTRIES INC. (MAR)

	1995	1994
Stockholders' equity:		
Common stock, par value $.01 a share:		
Authorized: 5,000,000 shares		
Issued and outstanding:		
3,418,272 shares (1995) and 3,374,765 shares (1994)	$ 34,000	$ 34,000
Additional paid-in capital	16,407,000	16,157,000
Retained earnings (deficit)	1,750,000	(6,450,000)
Cumulative foreign currency adjustments	(1,392,000)	(1,347,000)
Total stockholders' equity	16,799,000	8,394,000

IMC GLOBAL INC. (JUN)

(Dollars in millions except per share amounts)	1995	1994
Stockholders' equity:		
Common stock, $1 par value, authorized 50,000,000 shares; issued 32,302,029 and 32,232,865 shares in 1995 and 1994, respectively	$ 32.3	$ 32.3
Capital in excess of par value	738.4	736.2
Retained earnings (deficit)	99.6	(6.3)
Treasury stock, at cost, 2,776,420 and 2,770,259 shares in 1995 and 1994, respectively	(107.4)	(107.1)
Total stockholders' equity	762.9	655.0

STOCK OPTION AND STOCK PURCHASE PLANS

577 survey companies disclosed the existence of stock option plans. 103 survey companies disclosed stock purchase plans. Examples of stock option plan and stock purchase plan disclosures follow.

STOCK OPTION PLANS

ALBERTSON'S, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options

In October 1995 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." This new standard defines a fair value based method of accounting for an employee stock option or similar equity instrument. This statement gives entities a choice of recognizing related compensation expense by adopting the new fair value method or to continue to measure compensation using the intrinsic value approach under Accounting Principles Board (APB) Opinion No. 25, the former standard. If the former standard for measurement is elected, SFAS No. 123 requires supplemental disclosure to show the effects of using the new measurement criteria. This statement will be effective for the Company's 1996 fiscal year. The Company intends to continue using the measurement prescribed by APB Opinion No. 25, and accordingly, this pronouncement will not affect the Company's financial position or results of operations.

The Company has issued stock under various stock option plans. The Company granted stock options under plans approved in 1995 and 1986 which authorize the granting of options with respect to 18,400,000 shares of the Company's common stock.

The following is a summary of stock option activity and number of shares reserved for outstanding options:

	Option Price Per Share	Number of Shares
Balance at January 28, 1993	$1.88 to $24,31	4,049,800
Granted	25.13 to 25.13	479,000
Exercised	1.88 to 8.69	(327,947)
Forfeited	2.95 to 24.31	(145,200)
Canceled	24.31 to 24.31	(4,000)
Balance at February 3, 1994	1.88 to 25.13	4,051,653
Granted	28.63 to 28.63	141,000
Exercised	1.88 to 16.88	(593,700)
Forfeited	6.25 to 25.13	(131,000)
Balance at February 2, 1995	2.92 to 28.63	3,467,953
Granted	25.13 to 31.88	1,044,000
Exercised	2.92 to 27.88	(539,850)
Forfeited	16.56 to 28.63	(148,000)
Balance at February 1, 1996	$2.92 to $31.88	$3,824,103

Options on 213,103 shares were exercisable at February 1, 1996. In addition, there were 13,422,000 shares of common stock reserved for the granting of additional options.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Stock Options

The Company has three Stock Option Plans - 1985, 1980 and 1978 - and two Stock Incentive Plans - 1993 and 1990. Under the 1993 and 1990 plans, a maximum of 14,000,000 and 12,000,000 options to purchase shares, respectively, may be granted at prices not less than 100% of the fair market value at the date of option grant. No further grants will be made under the 1985, 1980 and 1978 plans. At December 31, 1995, 1,566,560 shares were available for future grants under the 1993 and 1990 plans. In January 1996, the Board of Directors adopted, subject to shareholder approval at the Company's annual meeting on April 23, 1996, the 1996 Stock Incentive Plan under which 15,000,000 shares are available for future grants.

The plans provide for the granting of incentive stock options as defined under the Internal Revenue Code. Under the plans, grants may be made to selected officers and employees of non-qualified stock options with a 10-year term or incentive stock options with a term not exceeding 10 years. The plans provide for the granting of Stock Appreciation Rights (SAR), which permit the optionee to surrender an exercisable option for an amount equal to the excess of the market price of the common stock over the option price when the right is exercised. During 1995, SARs were granted to executive officers in tandem with outstanding and newly granted stock options at the exercise price of the underlying option. SARs in tandem with options covering 2,113,635 shares were outstanding and exercisable at December 31, 1995. During 1995, a pre-tax charge of $62,716,000 was incurred related to SARs due to an increase in the market price of the Company's stock and the increased number of outstanding SARs.

The 1996, 1993 and 1990 plans, among other things, provide for the issuance of up to 2,000,000 of the available options as restricted stock performance awards under each plan. Restricted stock performance awards representing 26,100 and 54,400 units were granted in 1995 and 1994, respectively, under the plans to certain key executives. These units will be converted to shares of restricted stock based on the achievement of certain performance criteria over a three-year period of restriction.

Transactions involving the plans are summarized as follows:

Option Shares	1995	1994
Outstanding January 1	21,468,032	21,340,924
Granted	10,419,750	1,984,050
Canceled	(408,540)	(971,380)
Exercised (1995 - $31.75 to $79.31 per share)	(7,735,850)	(885,562)
Outstanding December 31 (1995 - $45.59 to $91.31 per share)	23,743,392	21,468,032
Exercisable December 31	13,601,742	19,379,282

In April 1994, the shareholders approved the Restricted Stock Plan for Non-Employee Directors. Under the plan, a maximum of 25,000 restricted shares may be granted to non-employee directors at not less than 100% of the fair market value at the date of grant. The restricted shares will not be delivered until the end of the restricted period which does not exceed five years.

During 1995, SFAS No. 123 - "Accounting for Stock-Based Compensation" was issued. SFAS No. 123 is effective for fiscal years beginning after December 15, 1995 and will have no impact on the Company's results of operations.

BOWATER INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Stock Option Plans

The company has three stock option plans - 1984, 1988 and 1992. The 1988 and 1992 Stock Incentive Plans authorize the grant of up to 2,000,000 and 3,000,000 shares, respectively, of the company's common stock in the form of incentive stock options (ISOs), non-qualified stock options, stock appreciation rights (SARs), performance stock and restricted stock awards. No further grants may be made under the 1984 Stock Option Plan.

The option price of all options granted to date represents the fair market value of the company's common stock on the date of grant, or the average fairmarket value of the company's common stock for the twenty business days immediately preceding the date of grant.

All options granted through December 31, 1993 were exercisable at December 31, 1995. Options granted in 1995 and 1994 become exercisable over a period of two years. The plans provide that any outstanding options will become immediately exercisable upon a change in control of the company. In such event, grantees of options (except for grantees of ISO options under the 1984 plan) have the right to require the company to purchase such options for cash in lieu of the issuance of common stock and to exercise fully for cash all SARs.

Information with respect to options granted under the stock option plans is as follows:

	1995		1994	
	Number of Shares	Option Price	Number of Shares	Option Price
Outstanding at beginning of year	4,272,794	$19.06 to $37.75	3,792,394	$16.50 to $37.75
Granted during the year	768,700	$26.86 to $38.07	813,000	$22.88 to $27.63
Exercised during the year	(2,380,144)	$19.06 to $37.75	(207,100)	$16.50 to $28.88
Canceled during the year	(85,600)	$21.00 to $37.75	(125,500)	$21.00 to $37.75
Outstanding at end of year	2,575,750	$21.00 to $37.75	4,272,794	$19.06 to $37.75
Exercisable at end of year	1,486,000	$21.00 to $37.75	3,119,544	$19.06 to $37.75

The company received $57,730,000 from the exercise of stock options in 1995. The large increase in the amount of exercises compared to 1994 was due to significant increases in the price of the company's common stock since January 1, 1995. The stock option exercises also generated $17,602,000 of tax benefits for the company.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Plans

The company's executive stock plans, approved by the shareholders, provide for grants of nonqualified or incentive stock options, restricted stock awards and stock appreciation rights ("SARs"). All plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee") comprised of outside directors, none of whom are eligible to participate in the plans. Stock options may be granted with or without SARs. Grant prices are determined by the Committee and are established at the fair market value of the company's common stock at the date of grant. Options and SARs normally extend for 10 years and under committee policy become exercisable in installments of 25 percent per year commencing one year from the date of grant or over a vesting period determined by the Committee. In 1995, the company issued 561,000 options that will vest only if certain performance related conditions are met.

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions as established by the Committee have lapsed. Upon termination of employment, shares upon which restrictions have not lapsed must be returned to the company. Restricted stock issued under the plans totaled 405,089 and 52,560 shares in 1995 and 1994, respectively.

The following table summarizes stock option activity:

	Stock Options	Price Per Share
Outstanding at October 31, 1993	2,490,444	$12-44
Granted	59,480	51
Expired or canceled	(82,374)	36-44
Exercised	(396,044)	12-44
Outstanding at October 31, 1994	2,071,506	12-51
Granted	2,034,270	43-59
Expired or canceled	(23,834)	35-51
Exercised	(266,336)	12-51
Outstanding at October 31, 1995	3,815,505	$12-59
Exercisable at:		
October 31, 1994	1,358,986	$12-44
October 31, 1995	1,406,583	$12-51
Available for grant at:		
October 31, 1994	2,610,047*	
October 31, 1995	230,992*	

* Available for grant includes shares which may be granted as either stock options or restricted stock, as determined by the Committee under the 1988 Fluor Executive Stock Plan.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). SFAS No. 123 established financial accounting and reporting standards for stock-based compensation plans and to transactions in which an entity issues its equity instruments to acquire goods and services from nonemployees. The new accounting standards prescribed by SFAS No. 123 are optional, and the company may continue to account for its plans under previous accounting standards. The company does not expect to adopt the new accounting standards, consequently, SFAS No. 123 will not have a material impact on the company's consolidated results of operations or financial position. However, pro forma disclosures of net earnings and earnings per share must be made as if the SFAS No. 123 accounting standards had been adopted. Adoption of SFAS No. 123 is not required by the company until 1997.

FOSTER WHEELER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(In Thousands of Dollars, Except per Share Amounts)

14. Stock Option Plans

The Corporation has two fixed option plans which reserve shares of common stock for issuance to executives, key employees and directors. The Corporation has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Corporation's two stock option plans been determined based on the fair value at the grant date for awards in 1995 consistent with the provisions of SFAS No. 123, the Corporation's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	1995
Net earnings - as reported	$28,534
Net earnings - pro forma	$24,434
Earnings per share - as reported	$0.79
Earnings per share - pro forma	$0.67

The assumption regarding the stock options issued to executives in 1995 was that 100% of such options vested in 1995, rather than 33.3% as required by the Plan, since 33.3% of 1993 and 1994 would have vested in 1995.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1995: dividend yield of 2.21%; expected volatility of 0.3720%; risk-free interest rate of 7.68%; and expected lives of 7.5 years.

Under the plan approved by the stockholders in April 1995, the total number of shares of common stock that may be granted is 1,500,000. In April 1990, the stockholders approved a Stock Option Plan for Directors of the Corporation. This plan authorized the granting of options on 150,000 shares of common stock to directors who are not employees of the Corporation, who will automatically receive an option to acquire 2,000 shares each year.

These plans provide that shares granted come from the Corporation's authorized but unissued or reacquired

common stock. The price of the options granted pursuant to these plans will not be less than 100 percent of the fair market value of the shares on the date of grant. An option may not be exercised within one year from the date of grant and no option will be exercisable after ten years from the date granted. Under the Executive Compensation Plan, the long-term incentive segment provides for stock options to be issued. Participants may exercise approximately one-third of the stock option shares after the end of each year of the cycle.

Information regarding these option plans for 1995, 1994 and 1993 is as follows:

	1995		1994	1993
	Shares	Weighted-Average Exercise Price	Shares	Shares
Options outstanding, beginning of year	546,462	$28.12	493,810	417,596
Options exercised	(45,817)	13.49	(125,682)	(50,786)
Options granted	490,700	30.10	178,334	127,000
Options outstanding, end of year	991,345	$29.78	546,462	493,810
Option price range at end of year	$14.50 to $40.0625		$12.25 to $40.0625	$12.25 to $28.75
Option price range for exercised shares	$12.25 to $13.6875		$12.25 to $28.75	$12.25 to $22.0625
Options available for grant at end of year	1,543,000		539,578	717,912
Weighted-average fair value of options, granted during the year	$13.12			

The following table summarizes information about fixed-price stock options outstanding at December 29, 1995:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/29/95	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/29/95	Weighted-Average Exercise Price
14.50	9,158	4 years	14.50	9,158	14.50
21.3125 to 22.125	33,986	5 years	21.50	33,986	21.50
22.0625 to 28.6875	61,500	6 years	23.03	61,500	23.03
26.9375 to 27.4375	98,000	7 years	27.35	98,000	27.35
27.4375 to 28.75	119,667	8 years	28.55	85,778	28.47
32.9375 to 40.0625	178,334	9 years	35.73	72,778	36.53
29.75 to 35.25	490,700	10 years	30.10	—	—
14.50 to 40.0625	991,345			361,200	

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance equity units is recorded annually based on the quoted market price of the Company's stock at the end of the period. Refer to Note 8.

Note 8. Stock Compensation Plans

The Company's 1982 and 1987 Employees' Stock Option Plans and the 1989 Goodyear Performance and Equity Incentive Plan provide for the granting of stock options and stock appreciation rights (SARs). For options previously granted with SARs, the exercise of a SAR cancels the stock option; conversely, the exercise of the stock option cancels the SAR. The 1982 and 1987 Plans expired on December 31, 1986 and April 10, 1989, respectively, except for options and SARs then outstanding.

The 1989 Plan empowers the Company to award or grant from time to time to officers and other key employees of the Company and subsidiaries incentive, nonqualified and deferred compensation stock options, SARs, restricted stock and restricted unit grants, performance equity and performance unit grants and other stock-based awards authorized by the Compensation Committee of the Board of Directors, which administers the 1989 Plan. The 1989 Plan will expire on December 31, 1998, except with respect to awards then outstanding.

Stock options and related SARs granted during 1995 generally have a maximum term of ten years and vest over four years. Performance equity units granted during 1995 are based on cumulative earnings per share over a three year performance period. They are payable in 50 percent Goodyear stock and 50 percent cash, and generally are earned at the end of that period. Assuming that there will be full utilization of the share of common stock available for awards during the term of the 1989 Plan, and that no other increases or decreases in the number of shares of common stock outstanding would occur during the term of the 1989 Plan, approximately 21,500,000 shares of the common stock would be available for the grant of awards through December 31; 1998.

Stock-based compensation activity for the years 1995, 1994 and 1993 follows:

	1995		1994		1993	
	Shares	SARs	Shares	SARs	Shares	SARs
Outstanding at January 1	7,749,660	782,446	6,838,965	705,834	8,155,280	964,520
Options granted	1,731,725	229,200	1,694,150	211,600	2,064,979	269,900
Options without SARs exercised	(1,857,190)	—	(781,263)	—	(2,967,748)	—
Options with SARs exercised	(86,325)	(86,325)	(18,850)	(18,850)	(148,300)	(148,300)
SARs exercised	(62,950)	(62,950)	(96,138)	(96,138)	(251,486)	(251,486)
Options without SARs expired	(49,100)	—	(21,125)	—	(48,200)	—
Options with SARs expired	(4,700)	(4,700)	(3,000)	(3,000)	(15,300)	(15,300)
SARs expired	(900)	(64,300)	—	(17,000)	(2,100)	(113,500)
Restricted stock granted	10,000	—	1,800	—	—	—
Restricted stock issued	(10,000)	—	(1,800)	—	—	—
Performance equity units granted	8,963	—	161,250	—	57,350	—
Performance equity shares issued	(64,591)	—	—	—	—	—
Performance equity units canceled	(36,966)	—	(24,329)	—	(5,510)	—
Outstanding at December 31	7,327,626	793,371	7,749,660	782,446	6,838,965	705,834
Exercisable at December 31	5,033,729	482,296	5,079,369	456,021	3,789,240	330,608
Available for grant at December 31	2,908,914		2,990,448		3,194,138	

Weighted average option exercise price information for the years 1995, 1994 and 1993 follows:

	1995	1994	1993
Outstanding at January 1	$31.34	$27.43	$23.33
Granted during the year	$34.75	$44.25	$34.38
Exercised during the year	$29.71	$26.23	$21.27
Outstanding at December 31	$33.96	$31.34	$27.43
Exercisable at December 31	$32.30	$26.93	$23.63

Significant option groups outstanding at December 31, 1995 and related weighted average price and life information follows:

Grant Date	Options Outstanding	Options Exercisable	Exercise Price	Remaining Life (Years)
1/4/95	1,661,525	229,250	$34.750	9
1/4/94	1,638,900	996,225	$44.250	8
1/5/93	1,538,935	1,538,935	$34.375	7
1/7/92	859,726	859,726	$26.875	6
All other	1,281,872	1,281,872	$23.710	4

Options in the 'All other' category were outstanding at prices ranging from $11.25 to $45.25. All options and SARs were granted at an exercise price equal to the fair market value of the Company's common stock at the date of grant. The weighted average fair value at date of grant for options granted during 1995, 1994 and 1993 was $17.17, $19.45 and $13.75 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	1995	1994	1993
Expected life (years)	5	5	5
Interest rate	7.80%	5.27%	5.97%
Volatility	43.0%	40.9%	33.2%
Dividend yield	2.34%	2.70%	3.00%

The fair value at date of grant for performance equity units granted during 1995, 1994 and 1993 was $34.75, $44.25 and $34.38 per unit, respectively, which in each case was equal to the market value of the Company's common stock at the date of grant.

Stock-based compensation costs reduced (increased) pretax income by $8.7 million ($5.2 million after tax or $.03 per share), $(3.4) million ($2.1 million after tax or $.01 per share) and $13.5 million (8.1 million after tax or $.05 per share) in 1995, 1994 and 1993, respectively. In addition, these costs would have been increased by $6.0 million ($5.2 million after tax or $.03 per share) in 1995 had the fair values of options and the stock-based portion of performance equity units granted in that year been recognized as compensation expense on a straight line basis over the vesting period of the grant. The pro forma effect on net income for 1995 is not representative of the pro forms effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

HUGHES SUPPLY, INC. (JAN)

NOTES TO FINANCIAL STATEMENTS
(Dollars In Thousands, Except Per Share Data)

Note 6 (In Part): Employee Benefit Plans

Stock Option Plans

The Company's stock option plans authorize the granting of both incentive and non-incentive stock options for an aggregate of 1,635,000 shares of common stock to key executive, management, and sales employees, and, with respect to 135,000 shares, to directors. Under the plans, options are granted at prices not less than market value on the date of grant, and the maximum term of an option may not exceed ten years. Prices for incentive stock options granted to employees who own 10% or more of the Company's stock are at least 110% of market value at date of grant. Options may be granted from time to time to May 1998, or May 2003 with regard to directors. An option becomes exercisable at such times and in such installments as set by the Board of Directors.

The employee plan also permits the granting of stock appreciation rights (SARs) to holders of options. Such rights permit the optionee to surrender an exercisable option, in whole or in part, on any date that the fair market value of the Company's common stock exceeds the option price for the stock and receive payment in common stock, or, if the Board of Directors approves, in cash or any combination of cash and common stock. Such payment would be equal to the excess of the fair market value of the shares under the surrendered option over the option price for such shares. The change in value of SARs would be reflected in income based upon the market value of the stock. No SARs have been granted or issued through January 26, 1996.

A summary of option transactions during each of the three fiscal years in the period ended January 26, 1996 is shown below:

	Number of Shares	Option Price Range
Under option, January 29, 1993 (253,442 shares exercisable)	406,442	$12.00 - $17.63
Granted	12,000	$16.25
Exercised	(6,023)	$12.25 - $12.87
Canceled	(12,825)	$12.00 - $12.63
Under option, January 28, 1994 (297,584 shares exercisable)	399,584	$12.25 - $17.63
Granted	115,000	$18.13 - $25.37
Exercised	(44,241)	$12.25 - $12.63
Under option, January 27, 1995 (339,343 shares exercisable)	470,343	$12.25 - $25.37
Granted	15,000	$19.25
Exercised	(93,541)	$12.25 - $20.25
Canceled	(1,861)	$12.00 - $12.63
Under option, January 26, 1996 (329,941 shares exercisable)	389,941	$12.25 - $25.37

Amounts charged to expense for these and other similar plans during the fiscal years ended in 1996, 1995 and 1994 were $1,710, $1,157 and $1,000, respectively.

WMX TECHNOLOGIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8. Stock Options

The Company has two stock option plans currently in effect under which future grants may be issued: the 1992 Stock Option Plan (the "1992 Plan") and the 1992 Stock Option Plan for Non-Employee Directors (the "Directors' Plan").

Options granted under the 1992 Plan are generally exercisable in equal cumulative installments over a three- to five-year period beginning one year after the date of grant. Options granted under the Directors' Plan become exercisable in five equal annual installments beginning six months after the date of grant.

Under the 1992 Plan, non-qualified stock options may be granted at a price equal to 100% of the market value on the date of grant, for a term of not less than five years nor more than ten years. Twelve million five hundred thousand shares of the Company's common stock were initially reserved for issuance under this plan.

Pursuant to the Directors' Plan, 150,000 shares of the Company's common stock were initially reserved. Options for 15,000 shares are to be granted, at the time of election to the Board, to each person who is not an officer or full-time employee of the Company or any of its subsidiaries.

As part of the acquisitions of the CWM and Rust shares not previously owned by the Company, as discussed in Note 4, outstanding CWM stock options were converted into options to acquire approximately 2,873,000 Company shares at prices of $21.97 to $63.33 per share and outstanding Rust stock options were converted into options to acquire approximately 1,976,000 Company shares at prices of $21.39 to $40.10 per share.

The status of the plans, including predecessor plans and replacement plans (together "Prior Plans") under which options remain outstanding, during the three years ended December 31, 1995, was as follows:

	Shares	Option Price
January 1, 1993—		
Outstanding	9,783	$3.46 - $41.80
Available for future grant	14,822	—
1993—		
Granted	2,957	$30.90 - $38.45
Exercised	551	$3.46 - $35.44
Canceled—		
Prior Plans	179	$18.84 - $41.80
Current plans	328	$30.69 - $41.80
December 31, 1993—		
Outstanding	11,682	$4.33 - $41.80
Available for future grant	12,193	—
1994—		
Granted	3,729	$24.33 - $29.03
Exercised	462	$4.33 - $25.72
Canceled—		
Prior Plans	312	$14.72 - $41.80
Current plans	826	$8.57 - $41.80
Additional shares available for future grant	6,000	—
December 31, 1994—		
Outstanding	13,811	$7.20 - $41.80
Available for future grant	15,290	—
1995—		
Granted	3,117	$23.21 - $28.90
Exercised	721	$7.20 - $30.69
Canceled—		
Prior Plans	1,111	$21.39 - $63.33
Current plans	316	$26.48-$41.80
Converted CWM and Rust stock options	4,849	$21.39 - $63.33
Shares no longer available for future grant	2,194	—
December 31, 1995—		
Outstanding	19,629	$8.57 - $63.33
Available for future grant	4,726	—

Options were exercisable with respect to 9,859,656 shares at December 31, 1995.

STOCK PURCHASE PLANS

AMERICAN STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Purchase Plan

On June 21, 1995, the shareholders approved the American Stores Company Employee Stock Purchase Plan (ESPP). The ESPP allows eligible employees the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. As of February 3, 1996, there were 7.0 million shares of common stock reserved for the ESPP and there had been no issuances to date. The ESPP operates on a calendar basis beginning January 1, 1996; a liability has been recorded for ESPP withholdings not yet applied towards the purchase of common stock.

CROWN CORK & SEAL COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars In Millions)

O (In Part): Pensions and Other Retirement Benefits

Employee Stock Purchase Plan
Since 1994, the Company has sponsored an Employee Stock Purchase Plan which covers all domestic employees with one or more years of service who are non-officers and non-highly compensated as defined by the Internal Revenue Code. Eligible participants contribute 85% of the quarter ending market price towards the purchase of each common share. The Company's contribution is equivalent to 15% of the quarter-ending market price. Total shares purchased under the plan in 1995 and 1994 were 84,309 and 65,437, respectively, and the Company's contributions were approximately $.5 and $.4 respectively.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common and Preferred Stock

Employee Stock Purchase Plans. At December 31, 1995, the Corporation had 1,409,000 shares of common stock reserved for issuance under the 1995 Employee Stock Purchase Plan (Purchase Plan) at a subscription price of $73.84 per share. The subscription period for the Purchase Plan expired on September 15, 1995. Subscribers must purchase and pay for shares subscribed not later than September 30, 1997 but prior to that time may obtain a refund of their payments plus interest at a rate of 6% per annum in lieu of stock. Approximately 10,500 subscribers remained in the Purchase Plan at December 31, 1995.

Under the 1993 Employee Stock Purchase Plan (which expired on July 31, 1995), the Corporation issued 991,000, 49,000 and 2,000 shares of common stock in 1995, 1994 and 1993, respectively, at a subscription price of $57.06 per share.

UNITED HEALTHCARE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Shareholders' Equity

Employee Stock Purchase Plan
The Company's Employee Stock Purchase Plan (ESPP) enables employees of the Company to subscribe for shares of common stock on semiannual offering dates at a purchase price which is the lesser of 85% of the fair market value of the shares on the first day or the last day of the semiannual period. Employee contributions to the ESPP were $7.0 million, $5.8 million and $3.3 million for 1995, 1994 and 1993. Pursuant to the ESPP, 216,000, 145,000 and 67,000 shares were issued to employees during 1995, 1994 and 1993. As of December 31, 1995, 39,000 shares are available for future issuances. The Company's Board of Directors has approved the reservation of 4 million additional shares to be issued under the ESPP, subject to shareholder approval at the Company's annual meeting in May 1996.

VARIAN ASSOCIATES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Omnibus Stock and Employee Stock Purchase Plans
(Shares in thousands)

The Employee Stock Purchase Plan (ESPP) covers substantially all employees in the United States and Canada. The participants' purchase price is the lower of 85% of the closing market price on the first trading day of the fiscal quarter, or the first trading day of the next fiscal quarter. The discount is treated as equivalent to the cost of issuing stock for financial reporting purposes. During fiscal 1995, 1994, and 1993, 205 shares, 266 shares, and 382 shares were issued under the ESPP for $7.0 million, $7.0 million, and $6.3 million, respectively. At fiscal year-end 1995, the Company had a balance of 3,125 shares reserved for ESPP.

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

	1995	1994	1993	1992
Common stock				
Cost of treasury stock shown as stockholders' equity deduction	349	342	349	341
Par or stated value of treasury stock deducted from issued stock of the same class	27	23	16	24
Cost of treasury stock deducted from stock of the same class	6	2	9	13
Other	3	6	6	4
Total Presentations	**385**	**373**	**380**	**382**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	3	2	2	5
Par or stated value of treasury stock deducted from issued stock of the same class	—	2	1	—
Other	1	2	2	2
Total Presentations	**4**	**6**	**5**	**7**
Number of Companies				
Disclosing treasury stock	384	373	380	381
Not disclosing treasury stock	216	227	220	219
Total Companies	**600**	**600**	**600**	**600**

Cost of Treasury Stock Shown as Reduction of Stockholders' Equity

THE DOW CHEMICAL COMPANY (DEC)

In millions, except for share amounts	1995	1994
Stockholders' Equity		
Common stock (authorized 500,000,000 shares of $2.50 par value each; issued 1995 and 1994: 327,125,854)	$ 818	$ 818
Additional paid-in capital	315	326
Retained earnings	10,159	8,857
Unrealized gains (losses) on investments	62	(21)
Cumulative translation adjustments	(349)	(330)
Treasury stock at cost (shares 1995: 76,168,614; 1994: 50,002,967)	(3,644)	(1,438)
Net stockholders' equity	7,361	8,212

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Millions, Except Share Amounts)

L. Stockholders' Equity

In 1989, the Board of Directors authorized, subject to certain business and market conditions, the purchase of up to 18,000,000 shares of the Company's common stock. In August 1995, the purchases under this authorization were completed.

In 1995, the Board of Directors authorized, subject to certain business and market conditions, the purchase of up to 25,000,000 shares of the Company's common stock. At December 31, 1995, the number of shares purchased under this authorization was 14,888,000. The Company is utilizing options as part of its stock repurchase program. The Company's potential repurchase obligation related to these options has been reclassified from stockholders' equity to temporary equity and amounted to $313 at December 31, 1995.

The number of treasury shares purchased was 29,188,000 in 1995, 591,000 in 1994, and 300,000 in 1993. The number of treasury shares issued to employees under option and purchase programs was 3,022,000 in 1995, 2,836,000 in 1994, and 1,946,000 in 1993. The number of treasury shares contributed to the U.S. pension plan for funding future retiree health care benefits through a 401(h) account was 391,000 in 1994 and 251,000 in 1993.

EMERSON ELECTRIC CO. (SEP)

(Dollars in millions except per share amounts)	1995	1994
Stockholders' equity		
Preferred stock of $2.50 par value per share. Authorized 5,400,000 shares; none issued	$ —	$ —
Common stock of $1 par value per share. Authorized 400,000,000 shares; issued 238,338,503 shares in 1995 and 1994	238.3	238.3
Additional paid-in capital	15.0	—
Retained earnings	5,128.3	4,619.1
Cumulative translation adjustments	17.0	8.7
	5,398.6	4,866.1
Less cost of common stock in treasury, 14,439,861 shares in 1995 and 14,752,649 shares in 1994	527.8	524.3
Total stockholders' equity	4,870.8	4,341.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Common Stock

At September 30, 1995, 8,785,076 shares of common stock were reserved, including 7,358,750 shares for issuance under the Company's stock plans and 1,426,326 shares for conversion of the outstanding 8% convertible subordinated debentures at a price of $26.97 per share. During 1995, 1,229,900 treasury shares were acquired and 1,542,688 treasury shares were issued.

RUBBERMAID INCORPORATED (DEC)

(Dollars in thousands except per share amounts)	1995	1994
Shareholders' equity:		
Preferred stock, without par value.		
Authorized 20,000,000 shares; none issued	—	—
Common Shares of $1 par value.		
Authorized 400,000,000 shares; issued 162,677,082 shares in 1995 and 1994	162,677	162,677
Paid-in capital	70,825	69,795
Retained earnings	1,098,670	1,120,629
Foreign currency translation adjustment	(18,420)	(16,583)
Treasury shares, at cost (6,473,220 shares in 1995 and 1,875,830 shares in 1994)	(178,379)	(50,692)
Total shareholders' equity	1,135,373	1,285,826

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

13 (In Part): Common Shares

Share Repurchase Program

As part of a program previously authorized by the Board of Directors, the Company purchased approximately 4.8 million shares in 1995 and 1.8 million shares in 1994 of its common stock for the treasury at an aggregate cost of $134,190 and $48,683 in 1995 and 1994, respectively. In December 1995, the Board of Directors increased the authorization for stock repurchase over the next four years by 20 million shares in addition to those already acquired at that time.

SUPERVALU INC. (FEB)

(In thousands, except per share data)	1995	1994
Stockholders' equity		
Preferred stock, no par value:		
Authorized 1,000 shares		
Shares issued and outstanding, 6 in 1995 and 1994 ($1,000 stated value)	$ 5,908	$ 5,908
Common stock, $1.00 par value:		
Authorized 200,000 shares		
Shares issued, 75,335, in 1995 and 1994	75,335	75,335
Capital in excess of par value	12,717	12,966
Retained earnings	1,236,507	1,268,117
Treasury stock, at cost, 5,161 shares in 1995 and 3,276 in 1994	(137,245)	(86,868)
Total stockholders' equity	1,193,222	1,275,458

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Treasury Stock Purchase Program

In February 1994, the Board of Directors instituted a treasury stock program under which the company is authorized to purchase shares in such amounts as it deems appropriated for reissuance upon the exercise of employee stock options and for other compensation programs utilizing the company's stock. In December 1994, the Board of Directors approved an additional treasury stock purchase program. Under the December 1994 program the company may repurchase up to 5.0 million shares which may be used for any corporate purpose. During fiscal 1995, the company repurchased .6 million shares at an average per share cost of $34.49 under the February 1994 program and 1.3 million shares at an average per share cost of $23.72 under the December 1994 treasury stock program. No shares were repurchased under either treasury stock program in fiscal 1994. The company repurchased .8 million shares at an average per share cost of $25.78 during fiscal 1993 under the 1991 treasury stock program which was rescinded by the Board of Directors in February 1994.

Par Value of Treasury Stock Deducted From Issued Stock

MEREDITH CORPORATION (JUN)

(in thousands)	1995	1994
Stockholders' equity:		
Series preferred stock, par value $1 per share		
Authorized 5,000,000 shares; none issued	—	—
Common stock, par value $1 per share		
Authorized 80,000,000 shares; issued and outstanding 20,579,565 shares in 1995 (excluding 11,601,465 shares held in treasury) and 10,119,165 shares in 1994 (excluding 5,763,328 shares held in treasury)	20,580	10,119
Class B stock, par value $1 per share, convertible to common stock		
Authorized 15,000,000; issued and outstanding 6,905,062 shares in 1995 and 3,601,932 shares in 1994	6,905	3,602
Additional paid-in capital	873	—
Retained earnings	216,485	246,917
Unearned compensation	(3,793)	(2,877)
Total stockholders' equity	241,050	257,761

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Common Stock, Stock Awards and Stock Options

From time to time, the Company's Board of Directors has authorized the repurchase of shares of the Company's common stock in the open market. During fiscal 1995, the Company repurchased 168,000 shares of common stock at a cost of $3,759,000 (2,385,000 shares repurchased in fiscal 1994 for $46,862,000 and 2,100,000 shares repurchased in fiscal 1993 for $29,001,000).

TRINOVA CORPORATION (DEC)

(dollars in thousands, except per share data)	1995	1994
Shareholders' Equity		
Common stock—par value $5 a share		
Authorized—100,000,000 shares		
Outstanding—28,825,187 and 28,795,909 shares, respectively (after deducting 5,384,709 and 5,413,987 shares, respectively, in treasury)	$144,125	$143,979
Additional paid-in capital	17,933	12,511
Retained earnings	254,484	184,930
Currency translation adjustments	(15,670)	(21,374)
Total Shareholders' Equity	400,872	320,046

Elimination Of Treasury Stock Concept

ADOLPH COORS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Stock Activity

The revised Colorado Business Corporation Act, which became effective in July 1994, eliminated the concept of treasury stock for Colorado corporations. Pursuant to that revision, the 9,463,488 shares at December 31, 1995, and the 9,133,060 shares at December 25, 1994, that were previously classified as treasury shares, were restored to status of "authorized but unissued." The elimination of the treasury stock amounts in the Company's Consolidated Balance Sheet caused a reclassification of equal amounts which reduced the balances of Class B common stock and paid-in capital. The amounts for Class B common stock were reduced by a stated value of $0.24 per share, or $2.3 million and $2.2 million at December 31, 1995, and December 25, 1994, respectively. Similarly, the amounts for paid-in capital were reduced by $26.6 million and $17.3 million at December 31, 1995, and December 25, 1994, respectively.

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 1995 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.

306 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			
	1995	**1994**	**1993**	**1992**
Cumulative translation adjustments	400	395	384	367
Minimum pension liability adjustments	117	107	104	63
Unearned compensation	110	95	99	86
Unrealized losses/gains on certain investments	105	80	26	18
Guarantees of ESOP debt	78	92	96	98
Receivables from sale of stock	16	15	13	14

Cumulative Translation Adjustments

ACME-CLEVELAND CORPORATION (SEP)

In thousands, except share data	1995	1994
Shareholders' equity		
Serial Preferred Shares, without par value:		
Authorized - 936,285 shares; issued and outstanding Series A, $1.80 cumulative, convertible 161,374 shares	$3,631	$3,631
Common Shares, par value $1 per share:		
Authorized - 10,000,000 shares; issued and outstanding, excluding 115,056 held in treasury	6,405	6,300
Other capital	55,148	53,717
Pension adjustment	(3,736)	(11,439)
Foreign currency translation adjustments	1,848	(855)
Retained earnings	21,650	(17,641)
Total shareholders' equity	84,901	33,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Foreign Currency Translation - Financial statements for the Company's subsidiaries outside the United States are translated into U.S. dollars at year-end exchange rates for assets and liabilities and weighted average exchange rates for income and expenses. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

SUNRISE MEDICAL INC. (JUN)

(in thousands)	1995	1994
Stockholders' equity:		
Preferred stock, $1 par. Authorized 5,000 shares; none issued	$ —	$ —
Common stock, $1 par. Authorized 40,000 shares; 18,597 and 17,996 shares, respectively, issued and outstanding	18,597	17,996
Additional paid-in capital	189,955	175,965
Retained earnings	101,533	70,853
Cumulative foreign currency translation adjustment	4,665	(1,227)
Total stockholders' equity	314,750	263,587

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation
Substantially all assets and liabilities of the company's foreign subsidiaries are translated at year-end exchange rates, while revenue and expenses are translated at exchange rates prevailing during the year. Adjustments for foreign currency translations fluctuations are excluded from net income and are deferred as a separate element of consolidated stockholders' equity.

Minimum Pension Liability Adjustments

JOHNSTON INDUSTRIES, INC. (JUN)

	1995	1994
Stockholders' Equity:		
Preferred stock, par value $.01 per share; authorized 3,000,000 shares; none issued		
Common stock, par value $.10 per share; authorized 20,000,000 shares; issued 12,426,891 and 12,411,891	$ 1,243,000	$ 1,241,000
Additional paid-in capital	17,258,000	17,107,000
Retained earnings	54,808,000	51,065,000
Total	73,309,000	69,413,000
Less treasury stock: 1,861,912 and 1,682,112 shares at cost	(8,108,000)	(6,407,000)
Less minimum pension liability adjustment, net of tax benefit	(1,774,000)	(3,198,000)
Stockholders' equity	63,427,000	59,808,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Employee Benefit Plans

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

The provisions of Financial Accounting Standards Board Statement No. 87 ("SFAS 87"), "Employers' Accounting for Pensions" require recognition in the balance sheet of an additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets. At June 30, 1995 and 1994, an additional liability of $5,534,000 and $8,029,000, respectively, is reflected in the consolidated balance sheets. At June 30, 1995 and 1994, the liability exceeded the unrecognized prior service cost resulting in a minimum pension liability, net of taxes, of $1,774,000 and $3,198,000, respectively, recorded as a reduction of the Company's equity.

THE PENN TRAFFIC COMPANY (JAN)

(In thousands of dollars)	1996	1995
Shareholders' Equity:		
Preferred Stock—Authorized 10,000,000 shares, $1.00 par value; none issued		
Common Stock—Authorized 30,000,000 shares, $1.25 par value; 10,840,849 shares and 10,846,701 shares issued and outstanding, respectively	$ 13,606	$ 13,558
Capital in excess of par value	180,029	179,165
Retained deficit	(235,223)	(149,681)
Minimum pension liability adjustment (Note 3)	(6,606)	(356)
Unearned compensation	(4,452)	(9,759)
Treasury stock, at cost	(625)	
Total Shareholders' Equity	(53,271)	32,927

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Employee Benefit Plans

Pursuant to the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company recorded in other noncurrent liabilities an additional minimum pension liability adjustment of $21,093,000 as of February 3, 1996 and $7,023,000 as of January 28, 1995, representing the amount by which the accumulated benefit obligation exceeded the fair value of plan assets plus accrued amounts previously recorded. The additional liability has been offset by an intangible asset to the extent of previously unrecognized prior service cost. The amount in excess of previously unrecognized prior service cost (after tax) is recorded as a reduction of shareholders' equity in the amount of $6,606,000 as of February 3, 1996 and $356,000 as of January 28, 1995 and $4,963,000 as of January 29, 1994.

SAVANNAH FOODS & INDUSTRIES, INC. (SEP)

(In thousands except for shares and per share amounts)	1995	1994
Stockholders' equity:		
Common stock $.25 par value; $.55 stated value; 64,000,000 shares authorized; 31,306,800 shares issued	$ 17,365	$ 17,365
Capital in excess of stated value	12,190	12,190
Retained earnings	190,176	202,065
Minimum pension liability adjustment (Note 9)	(14,842)	(8,210)
Cumulative translation adjustment	(425)	—
	204,464	223,410
Less - Treasury stock, at cost (5,068,604 shares)	31,275	31,275
- Note receivable from employee stock ownership plan	3,540	3,961
Total stockholders' equity	169,649	188,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Pension Plans

In accordance with the provisions of *Statement of Financial Accounting Standards No. 87 — Employers' Accounting for Pensions,* the Company has recorded an additional minimum liability at October 1, 1995 and at October 2, 1994 representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liability for its pension and SERP plans. The additional liability has been offset by an intangible asset which is included in "Other assets" to the extent of previously unrecognized prior service cost. Amounts in excess of previously recognized prior service cost are recorded net of the related deferred tax benefit as a reduction of stockholders' equity of $14,842,000 at October 1, 1995 and $8,210,000 at October 2, 1994.

Unearned Compensation Relating To Stock Award Plans

THE ALLEN GROUP INC. (DEC)

amounts in thousands	1995	1994
Stockholders' Equity (Note 4):		
Common stock, par value $1.00; authorized - 50,000,000 shares; issued - 1995, 29,595,000; 1994, 29,146,000; outstanding - 1995, 26,560,000; 1994, 26,107,000	$ 29,595	$ 29,146
Paid-in capital	168,632	161,644
Retained earnings	34,948	56,902
Translation adjustments	102	23
Less: Treasury stock-common shares, at cost, 1995, 3,035,000; 1994, 3,039,000 shares	(18,746)	(17,479)
Unearned compensation	(3,794)	(4,310)
Minimum pension liability adjustment	(360)	(1,745)
Total Stockholders' Equity	210,377	224,181

NOTES TO FINANCIAL STATEMENTS

Note 4 (In Part): Capital Stock

Restricted stock awards made to date under the 1992 Stock Plan were issued at no cash cost to the recipients; however; such employees have agreed to forego salary increases and new stock option grants for a period of two years, other than for exceptional promotions. Generally, the restricted shares vest in 25% increments in the seventh, eighth, ninth and tenth year from the year of award. An accelerated vesting schedule may be triggered if certain performance targets are achieved. Specifically, the vesting of 50% of such shares may be accelerated (but not sooner than three years from the award year) based upon the average sale price of the Company's stock price during a period of 91 consecutive calendar days exceeding specified target levels. The remaining 50% of such shares may be accelerated based

on average earnings per common share over three consecutive fiscal years exceeding specified target levels beginning with the award year. At December 31, 1995, the Company has awarded 420,758 restricted shares, including 15,000 shares awarded in 1995, 31,202 shares awarded in 1994, and 133,500 shares awarded in 1993. During 1995, 34,870 restricted shares were canceled. To date, the Company has recognized the vesting of 216,068 restricted shares on an accounting basis, of which, 100,475 shares were issued to certain restricted shareholders who qualified for accelerated vesting in accordance with stock price targets set forth in the restricted stock agreements under the 1992 Stock Plan.

Restricted shares are subject to forfeiture in certain circumstances as defined in the Plans. Unearned compensation, with respect to the 1992 Stock Plan awards, representing the fair value of the restricted shares at date of award, is charged to income over a ten-year period or over the period of actual vesting whichever period is shorter. The amount of unearned compensation expense for the restricted stock awarded under the 1982 Plan is charges to income based on the fair market value of such shares at the time the net income targets are met. Compensation expense with respect to all restricted shares amounted to $391,000 in 1995, $2,794,000 in 1994 and $1,183,000 in 1993.

ANALOGIC CORPORATION (JUL)

(000 omitted)	1995	1994
Stockholders' equity:		
Common stock, $.05 par; authorized 30,000,000 shares; issued 1995, 13,691,925 shares; issued 1994, 13,602,325 shares	$ 685	$ 680
Capital in excess of par value	20,517	19,911
Retained earnings	191,938	180,222
Unrealized holding gains and losses	2,004	
Cumulative translation adjustments	2,846	558
	217,990	201,371
Less:		
Treasury stock, at cost (1995, 1,269,280 shares; 1994, 1,253,268 shares)	14,470	14,233
Unearned compensation	2,627	2,747
Total stockholders' equity	200,893	184,391

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Stock option and stock bonus plans

Under the Company's key employee stock bonus plan, common stock may be granted to key employees under terms and conditions as determined by the Board of Directors. Generally, participants under the stock bonus plan may not dispose or otherwise transfer stock granted for three years from date of grant. Upon issuance of stock under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized over the periods during which the restrictions lapse (up to six years). Amortization of $730,000, $656,000 and $388,000 was recorded in fiscal 1995, 1994 and 1993, respectively.

BAUSCH & LOMB INCORPORATED (DEC)

(Dollar Amounts In Thousands)	1995	1994
Shareholders' Equity		
4% Cumulative Preferred stock, par value $100 per share	$ —	$ —
Class A Preferred stock, par value $1 per share	—	—
Common stock, par value $0.40 per share, 60,198,322 shares issued	24,079	24,079
Class B stock, par value $0.08 per share, 1,268,578 shares issued (1,072,880 shares in 1994)	101	86
Capital in excess of par value	107,788	93,849
Cumulative translation adjustment	85,122	47,609
Retained earnings	900,095	846,245
	1,117,185	1,011,868
Common and Class B stock in treasury, at cost, 4,525,844 shares (2,278,745 shares in 1994)	(178,730)	(94,269)
Unearned compensation	(9,155)	(3,212)
Total Shareholders' Equity	929,300	914,387

NOTES TO FINANCIAL STATEMENTS

Note 11 (In Part): Employee Benefits

Under the 1990 Stock Incentive Plan, a committee of the board or directors of the Company is authorized to grant restricted shares of Common stock to certain employees. The committee has awarded 288,819 and 95,700 restricted shares of Common stock to certain employees, including officers, in 1995 and 1994, respectively. Shares vest under these grants in thirds, with vesting criteria including attainment of certain stock price performance goals, satisfactory job performance and continued employment until applicable vesting dates. No more than one-third of any grant will vest in a fiscal year. At December 30, 1995, 114,408 shares have vested. Unearned compensation is recorded at the date of the award based on the market value of the shares. Unearned compensation related to these shares, included as a separate component of shareholders' equity, aggregated $9,155,000 and $3,212,000 net of forfeitures at December 30, 1995 and December 31, 1994, respectively, and is amortized to expense as stock performance goals are met over the applicable vesting period. The amount amortized to expense in 1995 was $4,324,000.

LOWE'S COMPANIES, INC. (JAN)

Dollars in Thousands	1996	1995
Shareholders' Equity (Note 11)		
Common Stock - $.50 Par Value;		
Fiscal Issued and Outstanding		
1995 160,918,046		
1994 159,527,389		
	$ 80,459	$ 79,764
Capital in Excess of Par	596,828	554,838
Retained Earnings	988,447	792,891
Unearned Compensation - Restricted Stock Awards	(8,076)	(5,949)
Unrealized Loss on Available For Sale Securities	(943)	(1,654)
Total Shareholders' Equity	1,656,715	1,419,890

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Shareholders' Equity

Unearned Compensation - Restricted Stock Awards of $8,076,000 included in Shareholders' Equity on the balance sheet is the result of restricted stock grants totaling 294,000 shares made to certain executives and directors. The amount will be amortized as earned over periods not exceeding seven years.

SARA LEE CORPORATION (JUN)

(Dollars in millions except share data)	1995	1994
Common stockholders' equity		
Common stock: (authorized 600,000,000 shares; $1.33 par value) Issued and outstanding, 480,656,301 shares in 1995 and 480,765,240 shares in 1994..	$ 640	$ 641
Paid-in capital..................	67	76
Retained earnings...............	3,252	2,799
Translation adjustments..........	3	(170)
Unearned restricted stock issued for future services................	(23)	(20)
Total common stockholders' equity	3,939	3,326

NOTES TO FINANCIAL STATEMENTS

Common Stock (In Part):

The corporation has restricted stock plans that provide for awards of common stock to executive employees, subject to forfeiture if employment terminates prior to the end of prescribed periods. The market value of shares awarded under the plans is recorded as unearned compensation. The unearned amounts are amortized to compensation expense over the periods the restrictions lapse.

Unrealized Investment Losses/Gains

ACCLAIM ENTERTAINMENT, INC. (AUG)

(In 000s, except per share data)	1995	1994
Stockholders' equity		
Preferred stock, $0.01 par value; 1,000 shares authorized; none issued	$ —	$ —
Common stock, $0.02 par value; 100,000 and 40,000 shares authorized, respectively; 46,281 and 39,348 shares issued and outstanding, respectively....	926	787
Additional paid-in capital.........	168,785	69,246
Retained earnings	153,141	106,571
Treasury stock.................	(807)	(807)
Unrealized gain on available-for-sale securities	2,503	—
Foreign currency translation adjustment	811	(554)
Total stockholders' equity	$325,359	$175,243

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In 000s, except per share data)

1 (In Part): Significant Accounting Policies

Marketable Securities

The Company determines the appropriate classification of debt and equity securities at the 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 intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at cost and investment income is included in earnings. The Company classifies certain highly liquid securities as trading securities. Trading securities are stated at fair value and unrealized holding gains and losses are included in income. Securities that are not classified as held-to-maturity or trading are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized holding gains and losses, net of tax, reported as a separate component of stockholders' equity.

4. Marketable Securities

On October 19, 1994, Acclaim Cable Holdings, Inc., a wholly-owned subsidiary of the Company, entered into a Partnership Agreement (the "Partnership Agreement") with TCI GameCo Ventures, Inc., an indirect wholly-owned subsidiary of Tele-Communications, Inc. ("TCI"), for the creation of a Delaware limited partnership (the "Joint Venture"), the interests in which are indirectly held 65% by the Company and 35% by TCI. The principal purposes of the Joint Venture are to develop and acquire (including by purchase or license), entertainment software for interactive networks, as well as to promote a standard for broadband network gaming to be incorporated into advanced set-top boxes.

In connection with the execution of the Partnership Agreement, the Company entered into an Exchange Agreement (the "Exchange Agreement") with TCI and TCI GameCo Holdings, Inc. ("TCI Sub"), pursuant to which the Company issued and sold to TCI Sub 4,349 shares of the Company's common stock in exchange for 3,403 shares of Class A Common Stock of TCI. Marketable securities at August 31, 1995 consist primarily of Class A Common Stock of TCI. Such shares have been classified as "available-for-sale" securities and accordingly, are stated at fair market value and unrealized holding gains of $2,503 (net of income taxes of $1,784) are classified as a component of stockholders' equity. In fiscal 1995, other income includes realized gains from the sale of marketable securities of $5,968, as determined using the specific cost method.

AEL INDUSTRIES, INC. (FEB)

(Dollars in thousands)	1995	1994
Shareholders' equity:		
Class A common stock (nonvoting), $1 par value; 20,000,000 shares authorized; shares issued and outstanding 1995, 3,369,000; 1994, 3,333,000	$3,369	$3,333
Class B common stock (voting), $1 par value; 440,000 shares authorized; shares issued and outstanding, 1995 and 1994, 435,000	435	435
Capital in excess of par value	2,923	2,557
Retained earnings	53,303	51,740
Unrealized gain on marketable securities, net of tax	192	
Total shareholders' equity	$60,222	$58,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Marketable Securities

In fiscal 1995, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Accordingly, on February 24, 1995, the Company's marketable securities are classified as available-for-sale securities and carried at market value as determined based on quoted market prices, and the unrealized gain is reported net of tax as a separate component of shareholders' equity. The cost basis of the marketable securities at February 24, 1995 is $449,000. Prior year financial statements have not been restated to reflect the change in accounting method. At February 25, 1994, marketable securities were carried at cost and the aggregate market value was $1,697,000.

ASARCO INCORPORATED (DEC)

(In thousands)	1995	1994
Common Stockholders' Equity		
Authorized, 80,000,000 common shares without par value: Issued shares: 1995 and 1994, 45,039,878	$ 679,991	$ 679,991
Unrealized gain on securities reported at fair value, net of tax	131,600	91,627
Retained earnings	976,107	853,169
Treasury stock (at cost), common shares 1995, 2,469,125; 1994, 2,937,788	(80,214)	(107,400)
Total Common Stockholders' Equity	$1,707,484	$1,517,387

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Investments

Available-for-sale Securities Reported as a Component of Stockholders' Equity

In accordance with the provisions of SFAS No. 115, available-for-sale securities are carried at fair value. Unrealized gains of $131.6 million (net of deferred taxes of $70.9 million) at December 31, 1995, compared with unrealized gains of $91.6 million (net of deferred taxes of $49.4 million) at December 31, 1994, are included as a component of stockholders' equity.

AMPCO-PITTSBURGH CORPORATION (DEC)

	1995	1994
Shareholders' Equity:		
Preference stock, no par value; authorized 3,000,000 shares; none issued	$ —	$ —
Common stock, par value $1; authorized 20,000,000 shares; issued and outstanding 9,577,621 shares	9,577,621	9,577.621
Additional paid-in capital	102,555,980	102,555,980
Retained earnings (deficit)	(7,491,711)	(15,104,987)
	104,641,890	97,028,614
Cumulative translation and other adjustments	3,234,345	2,709,881
Unrealized holding gains on securities	4,258,814	3,232,389
Total shareholders' equity	$112,135,049	$102,970,884

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Investments Available for Sale
Effective January 1, 1994 the Corporation adopted the method of accounting for investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments classified as available for sale are reported at market value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Realized gains and losses on sales of investments and declines in value judged to be other than temporary are included in operating results.

THE FAIRCHILD CORPORATION (JUN)

(In thousands)	1995	1994
Stockholders' Equity:		
Class A common stock, 10 cents par value; authorized 40,000,000 shares, 19,647,705 shares issued and 13,406,109 shares outstanding	$1,965	$1,965
Class B common stock, 10 cents par value; authorized 20,000,000 shares, 2,696,886 shares issued and outstanding	270	270
Paid-in capital	67,011	66,775
Retained earnings	18,912	52,736
Cumulative translation adjustment	8,724	3,346
Additional minimum liability for pensions, net of tax	—	(1,405)
Net unrealized holding loss on available-for-sale securities	(120)	—
Treasury Stock, at cost, 6,241,596 shares of Class A common stock	(51,719)	(51,719)
Total Stockholders' Equity	$45,043	$71,968

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Investments
On July 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). There was no cumulative effect as the result of adopting SFAS 115 in Fiscal 1995.

Management determines the appropriate classification of its investments at the time of acquisition and reevaluates such determination at each balance sheet date. Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses, net of tax, reported as a separate component of shareholders' equity. Investments in equity securities and limited partnerships that do not have readily determinable fair values are stated at cost, adjusted for impairments, and categorized as other investments. At June 30, 1994, the Company used the lower of cost or market method for its investments. In determining realized gains and losses, the cost of securities sold is based on the specific identification method. Interest on corporate obligations, as well as dividends on preferred stock are accrued at the balance sheet date.

Guarantees of ESOP Debt

FERRO CORPORATION (DEC)

(Dollars in thousands)	1995	1994
Shareholders' Equity		
Serial convertible preferred stock, without par value. Authorized 2,000,000 shares, 1,520,215 shares issued	$ 70,500	$ 70,500
Guaranteed ESOP obligation	(30,470)	(37,503)
Common stock, par value $1 per share. Authorized 150,000,000 shares; 31,549,083 shares issued	31,549	31,549
Paid-in capital	13,237	10,233
Earnings retained in the business	427,611	396,969
Foreign currency translation adjustment	(20,576)	(24,020)
Other	(5,595)	(1,550)
	486,256	446,178
Less cost of common stock held in treasury, 4,687,832 shares in 1995 and 3,722,464 shares in 1994	97,626	74,207
Less cost of convertible preferred stock held in treasury, 139,724 shares in 1995 and 112,717 shares in 1994	6,480	5,227
Total shareholders' equity	$382,150	$366,744

NOTES TO 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 $70.5 million. 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.

MAPCO INC. (DEC)

(Dollars and shares in millions)	1995	1994
Stockholders' Equity		
Capital stock:		
Preferred Stock, without par value, 1 shares authorized; no shares issued		
Series A Junior Participating Preferred Stock, without par value, .2 shares authorized; no shares issued		
Common Stock, $1 par value, 75 shares authorized; 62.9 shares issued, 1995; 62.8 shares issued, 1994	$ 62.9	$ 62.8
Capital in excess of par value	203.0	202.6
Retained earnings	1,401.8	1,356.4
	1,667.7	1,621.8
Treasury Stock, at cost, 33.5 shares, 1995; 32.9 shares, 1994	(966.7)	(935.6)
Loan to ESOP	(58.7)	(63.6)
	642.3	622.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Employee Benefit Plans

MAPCO has an ESOP that includes substantially all employees through voluntary participation. Allocation of the MAPCO common stock held by the ESOP to individual employees is based on the employee's eligible contribution to the ESOP and the number of shares of common stock available for allocation. The common stock available for allocation will be released in quarterly installments over the term of the ESOP's loan from MAPCO.

MAPCO's cash contributions to the ESOP will equal the ESOP's principal and interest payments on its loan from MAPCO reduced by the dividends the ESOP receives on the MAPCO common stock held by the ESOP. Dividends of $2.3 million in 1995 and in 1994 and $2.5 million in 1993 on the MAPCO common stock owned by the ESOP were used for debt service. MAPCO made cash contributions to the ESOP of $8.1 million in 1995, $8.0 million in 1994 and $7.8 million in 1993. MAPCO recognized compensation expense in connection with the ESOP of $2.7 million, $2.3 million and $1.7 million and interest expense of $5.4 million, $5.7 million and $6.1 million in 1995, 1994 and 1993, respectively.

SPAN-AMERICA MEDICAL SYSTEMS, INC. (SEP)

	1995	1994
Shareholders' equity		
Common Stock, no par value; 20,000,000 shares authorized; issued and outstanding shares, 3,175,437 (1995) and 3,226,997 (1994)	$ 4,225,122	$ 4,432,931
Additional paid-in capital	145,834	145,834
Retained earnings	11,421,100	10,767,609
	15,792,056	15,346,374
Less guaranteed ESOP obligations (Note 12)	356,719	427,094
Total shareholders' equity	$15,435,337	$14,919,280

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Employee Benefit and Incentive Plans

The Company has an Employee Stock Ownership Plan (the "ESOP") for the benefit of employees of the Company who have completed one year of service with the Company and have attained age 21. Under the provisions of SOP 93-6, the company's plan is "grandfathered" and therefore the Company accounts for the ESOP under SOP 76-3. In 1990, the ESOP borrowed $475,000 at the bank's prime rate in a 10-year loan which is guaranteed by the Company. The ESOP used the proceeds of the loan to purchase 100,000 shares of the Company's Common Stock from the former chairman of the board of the Company at a price of $4.75 per share, the average of the bid and asked prices on the day before the transaction. In 1992, the ESOP borrowed $228,750 at the bank's prime rate on a 10-year loan which is guaranteed by the Company. The proceeds were used to purchase an additional 15,000 shares of the Company's Common Stock from the former chairman of the board of the Company at a price of $15.25 per share, the average of the bid and asked prices on the day of the transaction.

The Company has reflected the guaranteed ESOP borrowings as long-term debt on its balance sheet. The ESOP borrowings are collateralized by the unallocated shares of Common Stock. A corresponding amount of "Guaranteed ESOP Obligations" is recorded as a reduction of shareholders' equity. As the Company makes tax deductible contributions to the ESOP to make the principal and interest payments on the loan, shares acquired with the loan proceeds are allocated to ESOP participants and both the liability and the amount in shareholders' equity are reduced. At September 30, 1995, 60,625 of the original shares acquired had been allocated to the participants of the Company's ESOP. The Company's contributions to the ESOP were approximately $88,000 in 1995, $85,000 in 1994, and $100,000 in 1993. Interest payments for fiscal 1995, 1994, and 1993 of approximately $35,000, $32,000 and $33,000, respectively, were partially funded by dividends received by the ESOP of approximately $18,000, $17,000 and $12,000.

Receivables From Sale Of Stock

COHERENT, INC. (SEP)

(In thousands)	1995	1994
Stockholders' Equity		
Common stock, par value $.01:		
Authorized, 50,000 shares		
Outstanding, 10,869 in 1995 and 10,338 in 1994	$ 108	$ 103
Additional paid-in capital	76,225	68,646
Unrealized gain on investments	171	—
Notes receivable from stock sales	(1,218)	(1,981)
Retained earnings	83,480	64,157
Accumulated translation adjustments	2,425	2,539
Total Stockholders' Equity	$161,191	$133,464

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Employee Benefit Plans

Notes Receivable from Stock Sales
Notes receivable from stock sales result from the exercise of stock options for notes. The notes are full recourse promissory notes bearing interest at variable rates ranging from 5.34% to 7.88% and are collateralized by the stock issued upon exercise of the stock options. Interest is payable annually and principal is due from 1996 through 1999.

Employee Benefit Trusts

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

(Millions of dollars, except per share)	1995	1994
Shareholders' Equity (Notes 1 and 10)		
Common stock (par value $1 per share; issued 1995 and 1994, 124,727,792 shares)	$ 125	$ 125
Capital in excess of par value	465	477
Retained earnings	2,388	2,135
Unrealized gain on investments	41	—
Cumulative translation adjustments	(24)	(16)
Treasury stock, at cost (1995, 3,044,469 shares;1994, 1,318,963 shares)	(139)	(57)
Shares in trust (1995 and 1994, 10,000,000 shares)	(458)	(458)
Total Shareholders' Equity	$2,398	$2,206

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Shares in Trust. The company has established a trust, funded with Treasury Stock, to provide for a portion of future payments to employees under the company's existing compensation and benefit programs. Shares issued to the trust are valued at market price on the date of contribution and reflected as a reduction of shareholders' equity in the balance sheet. As shares are transferred from the trust to fund compensation and benefit obligations, this equity account is reduced based on the original cost of shares to the trust; the satisfaction of liabilities is based on the fair value of shares transferred; and the difference between the fair value of shares transferred and the original cost of shares to the trust is charged or credited to capital in excess of par value.

10 (In Part): Capital Stock

In December 1993, the company established a trust to fund a portion of future payments to employees under existing compensation and benefit programs. The trust, which is administered by an independent trustee, was funded with 10 million shares of Treasury Stock. It will not increase or alter the amount of benefits or compensation which will be paid under existing plans. The establishment of the trust will not have an effect on earnings per share or return on average shareholders' equity.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

(In thousands, except for share amounts)	1995	1994
Common Stockholders' Equity:		
Common stock, $.16 par; 400,000,000 shares authorized; 213,440,672 and 197,084,755 shares issued	$ 35,581	$ 32,854
Additional paid-in capital	1,806,482	1,351,919
Retained earnings	1,323,169	1,009,132
Treasury stock, 1,001,407 and 743,497 shares, at cost	(10,494)	(2,225)
Stock and employee benefit trust, 13,596,325 shares	(412,988)	—
Total common stockholders' equity	$2,741,750	$2,391,680

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Common Stock

Stock and Employee Benefit Trust. In February 1995, the Company established a Stock and Employee Benefit Trust to which it sold 15,000,000 shares of the Company's newly issued common stock. This trust was established to provide the Company the option to use the trust to fund future payments under existing employee compensation and benefit plans as well as other general corporate purposes for which common stock might be issued. Shares issued to the trust are valued at market and reflected as a reduction of common stockholders' equity in the balance sheet.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

(Dollar amounts in thousands)	1995	1994
Shareholders' Equity:		
Common stock (issued 51,117,774 shares and 50,506,471 shares, respectively)	$ 51,118	$ 50,506
Capital in excess of par value	603,712	576,886
Retained earnings	53,560	19,936
Cumulative translation adjustments	(42,118)	(39,194)
	666,272	608,134
Less: Stock Employee Compensation Trust (1,920,100 shares and 2,150,416 shares, respectively) at market	(60,483)	(53,760)
Treasury Stock (2,504,613 shares and 2,852,604 shares, respectively) at cost	(46,513)	(52,009)
	$559,276	$502,365

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Shareholders' Equity and Stock Options

Following a "Dutch auction" self-tender offer in May, 1993, the Company purchased for cash 2,500,000 shares of Common Stock, or approximately 9% of shares of Common Stock outstanding at that time, at $19 per share, in conjunction with the establishment of the Harnischfeger Industries, Inc. Stock Employee Compensation Trust ("SECT"). Concurrent with the purchase, the Company sold 2,547,771 shares of Common Stock held in treasury to the SECT, amounting to $50,000,000 at $19 per share. The purchase of the treasury shares reduced shareholders' equity. The sale of the treasury shares to the SECT had no impact on such equity. Shares in the SECT are being used to fund future employee benefit obligations under plans that currently require shares of Company Common Stock.

Shares owned by the SECT are accounted for as treasury stock until issued to existing benefit plans; they are reflected as a reduction to shareholders' equity. Shares owned by the SECT are valued at the closing market price each period, with corresponding changes in the SECT balance reflected in capital in excess of par value. Shares in the SECT are not considered outstanding for computing earnings per share.

Stock Purchase Rights

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Stockholder Rights Plan

In February 1990, the company adopted a stockholder rights plan and declared a dividend distribution of preferred stock purchase rights at the rate of one right for each share of common stock held as of the close of business on February 20, 1990. The rights were not exercisable, or transferable apart from the common stock, until certain events occurred. The rights were redeemable at any time at the option of the company.

On May 3, 1995, the company redeemed all its preferred stock purchase rights for a redemption price of $.01 per right (approximately $1 million) paid on May 24, 1995, to the holders of the company's common stock as of the redemption date.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Capital Stock

Common Stock

The corporation's Common Stock has a par value of $3.75 per share and 100,000,000 shares are authorized. At February 3, 1996 and January 28, 1995, there were 17,930,977 shares and 17,969,892 shares, net of 4,074,920 shares and 4,036,005 shares held in treasury, outstanding, respectively. The stock is listed and traded on the New York and Chicago Stock Exchanges (symbol BG). There were approximately 6,000 shareholders of record at March 1, 1996.

In March 1996, the corporation replaced its previous Shareholder Rights Plan, which had expired, with a comparable plan. Under the plan, each outstanding share of the corporation's common stock carries one Common Stock Purchase Right. The rights may only become exercisable under certain circumstances involving acquisition of the corporation's common stock by a person or group of persons without the prior written consent of the corporation. Depending on the circumstances, if the rights become exercisable, the holder may be entitled to purchase shares of the corporation's common stock or shares of common stock of the acquiring person at discounted prices. The rights will expire on March 18, 2006 unless they are earlier exercised, redeemed or exchanged.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Preferred Share Purchase Rights

In March 1986, the Company's Board of Directors declared a dividend of one Preferred Share Purchase Right (Old Right) on each outstanding share of the Company's common stock. After the two-for-one stock split distributed on June 9, 1987, under certain conditions, each holder of Old Rights may purchase one one-hundredth share of a new series of junior participating preferred stock at an exercise price of $100 for each two Old Rights held. The Old Rights expire on March 31, 1996.

On February 6, 1996, the Board of directors declared a dividend payable on April 1, 1996 of one Preferred Share Purchase Right (New Right) on each outstanding share of the Company's common stock. Under certain conditions each holder of New Rights may purchase one one-thousandth of a share of a new series of junior participating preferred stock at an exercise price of $85 for each New Right held. The new Rights expire on April 1, 2006.

The Old Rights and the New Rights (collectively the "Rights") become exercisable at the earlier of (1) a public announcement that a person or group acquired or obtained the right to acquire 15% or more of the Company's common stock or (2) fifteen days (or such later time as determined by the Board of Directors) after commencement or public announcement of an offer for more than 15% of the Company's common stock. After a person or group acquires 15% or more of the common stock of the Company, other shareholders may purchase additional shares of the Company at fifty percent of the current market price. These Rights may cause substantial ownership dilution to a person or group who attempts to acquire the Company without approval of the Company's Board of Directors.

The Rights, which do not have any voting rights, may be redeemed by the Company at a price of $.025 per Old Rights and $.01 per New Right at any time prior to a person's or group's acquisition of 15% or more of the Company's common stock. The new series of preferred stock that may be purchased upon exercise of the Rights may not be redeemed and may be subordinate to other series of the Company's preferred stock designated in the future. A Right also will be issued with each share of the Company's common stock that becomes outstanding prior to the time the Rights become exercisable or expire.

In the event that the Company is acquired in a merger or other business combination transaction, provision will be made so that each holder of Rights will be entitled to buy the number of shares of common stock of the surviving company, which at the time of such transaction would have a market value of two times the exercise price of the Rights.

ECOLAB INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Shareholders' Equity

The company renewed its shareholder rights plan in February 1996. One preferred stock purchase right will be issued for each outstanding share of the company's common stock when the existing rights expire on March 11, 1996. A right entitles the holder, upon occurrence of certain events, to buy one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of $115, subject to adjustment. The rights, however, will not become exercisable unless and until, among other things, any person or group acquires 15 percent or more of the outstanding common stock of the company, or the company's board of directors declares a holder of 10 percent or more of the outstanding common stock to be an "adverse person" as defined in the rights plan. Upon the occurrence of either of these events, the rights will become exercisable for common stock of the company (or in certain cases common stock of an acquiring company) having a market value of twice the exercise price of a right. The rights provide that the holdings by Henkel KGaA or its affiliates at the time of the renewal of the rights plan, subject to compliance by Henkel with certain conditions, will not cause the rights to become exercisable nor cause Henkel to be an "adverse person." The rights are redeemable under certain circumstances at one cent per right and, unless redeemed earlier, will expire on March 11, 2006.

FLEMING COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (In Part):

The company has a rights plan designed to protect stockholders should the company become the target of coercive and unfair takeover tactics. Stockholders have one right for each share of stock held. When exercisable, each right entitles stockholders (other than any defined acquirer) to buy one share of common stock at an exercise price of $150 (the "Exercise Price") in the event of certain defined events that constitute a change of control or to exchange the right upon the payment of the Exercise Price for that number of shares of company common stock determined by dividing twice the Exercise Price ($300) by the then current market price of the common stock. Furthermore, if the company is involved in a merger or other business combination or sale of a specified percentage of assets or earnings power, the rights (other than those held by the acquirer) may be used to purchase, for the Exercise Price, that number of shares of the acquiror's common stock determined by dividing twice the Exercise Price by the then current market price of the acquiror's common stock. The rights expire on July 6, 1996.

In February 1996, the company adopted a new rights plan to replace the current plan upon its expiration. The new plan operates in a manner substantially identical to the existing plan except that each right initially entitles

the stockholder (other than the acquirer) to purchase one one-hundredth of a share of new preferred stock and the Exercise Price is $75. The new rights plan expires on July 6, 2006.

H. B. FULLER COMPANY (NOV)

NOTES TO FINANCIAL STATEMENTS

13 (In Part): Stockholders' Equity

Shareholders' Rights Plan: The Company has a shareholders' rights plan under which each holder of a share of common stock also has one right to purchase one share of common stock for $73.33. The rights are not presently exercisable. Upon the occurrence of certain "flip-in" events, each right becomes exercisable and then entitles its holder to purchase $73.33 worth of common stock at one-half of its then market value. Upon certain "flip-over" events, each right entitles its holder to purchase $73.33 worth of stock of another party at one-half of its then market value. One flip-in event is when a person or group (an "acquiring person") acquires 15 percent or more of the Company's common stock. Another flip-in event is when a person or group is designated by the Company's Board, pursuant to the terms of the plan, as potentially adverse (an "adverse person"). Rights held by an acquiring person or an adverse person are void. Elmer L. Andersen and Anthony L. Andersen and certain family members are excluded from the operation of the acquiring person and adverse person provisions. The Company may redeem the rights for one cent per share, but the redemption right expires shortly after a flip-in event. The rights expire on July 30, 1996.

GARAN, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Shareholders' Equity

In April 1993, the Company's Board of Directors restructured the Rights Plan it had adopted in 1988 by amending and restating its rights agreement, redeeming its outstanding preferred stock rights, and paying a dividend of new common stock rights to shareholders of record on May 17, 1993. In the event any person acquires 20 percent of the Company's common stock, each new right will give the holder the option to purchase one share of the Company's common stock for $90. The new rights expire May 16, 2003, and may be redeemed by the Company for $.01 per right. As of September 30, 1995, 5,069,892 shares of the Company's common stock were reserved for issuance under the Shareholders Rights Plan.

JOHNSON CONTROLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Shareholders' Equity

Under the terms of a Rights Agreement, as amended effective November 16, 1994, each share of the Company's common stock entitles its holder to one Right. The Rights Agreement provides that if 20% or more of the Company's common stock is acquired, the Rights become exercisable. Further, upon the occurrence of certain defined events, the Rights entitle the holder to purchase common stock of the Company or common stock of an "acquiring company" having a market value equivalent to two times the Right's exercise price of $175. In addition, the Rights Agreement permits the Company's Board of Directors, in certain circumstances, to exchange the Rights for shares of common stock and permits a bidder to call for a shareholders' vote to redeem the Rights. The Rights are subject to redemption by the Board of Directors for $.01 per Right. The Rights have no voting power and expire November 30, 2004.

JOSTENS INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholder Rights Plan

In August 1988, the Board of Directors declared a distribution to shareholders of one common share purchase right for each outstanding common share. Each right entitles the holder to purchase one common share at an exercise price of $60. The rights become exercisable if a person acquires 20 percent or more, or announces a tender offer for 25 percent or more, of the company's common shares. If a person acquires at least 25 percent of the company's outstanding shares, each right will entitle the holder to purchase the company's common shares having a market value of twice the exercise price of the right. If the company is acquired in a merger or other business combination, each right will entitle the holder to purchase common stock of the acquiring company at a similar 50 percent discount. The rights, which expire in August 1998, may be redeemed by the company at a price of 1 cent per right at any time prior to the 30th day after a person has acquired at least 20 percent of the company's outstanding shares.

OLIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholder Rights Plan

Effective February 1996, the Board of Directors adopted a new Shareholder Rights Plan to replace the prior plan which had been adopted in 1986. Like the former plan, the new plan is designed to prevent an acquirer from gaining control of the company without offering a fair price to all shareholders. Each right entitles a shareholder (other than the acquirer) to buy one one-thousandth share of Series A Participating Cumulative Preferred Stock at an exercise price of two hundred forty dollars. The rights are exercisable only if a person acquires more than 15% of the company's common stock or if the Board of Directors so determines following the commencement of a tender or exchange offer to acquire more than 15% of the company's common stock. If any person acquires more than 15% of the company's common stock and in the event of a subsequent merger or

combination, each right will entitle the holder (other than the acquirer) to purchase stock or other property of the acquirer having a value of twice the exercise price. The company can redeem the rights at $.01 for a certain period of time. The rights will expire on February 27, 2006, unless earlier redeemed by the company.

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Preferred Stock Purchase Rights

At April 29, 1995, there were outstanding 14,597,599 rights to purchase Series A Junior Participating Preferred Stock. The rights were issued as a dividend on December 18, 1986 and as a result of the 5-for-4 stock splits paid in January 1989 and January 1995, each outstanding share of common stock is entitled to 0.64 right. Each right entitles the holder to purchase from the Company a unit (one two-hundredth of a share) of Series A Junior Participating Preferred Stock, $.10 par value, at $100 per unit subject to adjustment. The rights are not exercisable or transferable apart from the common stock until 10 days after a person or group has acquired 25 percent or more, or makes a tender offer for 30 percent or more, of the Company's common stock. Each right will entitle the holder, under certain circumstances (a merger, acquisition of 25 percent or more of common stock of the Company by an acquiring person, self-dealing transactions by an acquiring person, or sale of 50 percent or more of the Company's assets or earning power), to acquire, at half the value, either common stock of the Company, a combination of cash, other property, common stock or other securities of the Company, or common stock of the acquiring person. Any such event would also result in any rights owned beneficially by the acquiring person or its affiliates becoming null and void. The rights expire December 18, 1996 and are redeemable prior to the time an acquiring person acquires 25 percent or more of the Company's common stock at one cent per right. At April 29, 1995, 50,000 shares of Series A Junior Participating Preferred Stock were authorized but unissued and were reserved for issuance upon exercise of the rights.

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

	1995	1994	1993	1992
Income	298	291	280	292
Operations	167	180	189	165
Earnings	127	117	116	132
Other	8	12	15	11
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 statement with formats differing from the commonly used formats by either segregating revenues and expenses of nonhomogeneous operations (4 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

	1995	1994	1993	1992
Single-step Form				
Federal income tax shown as separate last item	187	192	195	206
Federal income tax listed among operating items	2	5	4	5
Multi-step Form				
Costs and expenses deducted from sales to show operating income	223	217	223	230
Costs deducted from sales to show gross margin	188	186	178	159
Total Companies	**600**	**600**	**600**	**600**

Reclassifications

BROWN-FORMAN CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Reclassifications
Discounts related to promotional programs in the wines and spirits segment, which were previously included in the consolidated income statement under the caption "Selling, general, and administrative expenses," have been reclassified as a reduction of "Net sales" for all periods presented. This reclassification conforms the company's presentation to industry practice.

CHAMPION ENTERPRISES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Previously, the Company classified as sales revenue amounts charged on sales invoices for delivery of its products, and related delivery expense was included in cost of sales. Commencing in 1995, the Company is classifying delivery revenue as a reduction of delivery expense. Prior net sales and cost of sales have been reclassified accordingly. This change in classification has no effect on previously reported net income or earnings per share.

Certain other amounts in prior financial statements have been reclassified to conform to the current year presentation.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Reclassifications. In fiscal 1995, sales of consumable supplies, consisting primarily of supplies for the company's printer products, are reported in the consolidated statement of earnings as product revenue. In previous years, consumable supplies were reported as service revenue. Prior year revenue and cost of sales amounts have been reclassified to reflect this change.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of statement presentation. The accompanying consolidated financial statements include the accounts of International Multifoods Corporation and all of its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The Company's fiscal year ends the last day of February. To conform to the fiscal 1995 presentation, the net margin from commodity sales of the Company's food exporting business for fiscal 1994 and 1993 has been reclassified to net sales. As a result of this reclassification, net sales and cost of sales decreased $66.4 million in fiscal 1994 and $24.8 million in fiscal 1993 from the amounts previously reported. In addition, certain other reclassifications have been made in the accompanying consolidated financial statements in order to conform with fiscal 1995 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

	1995	1994	1993	1992
Net Sales				
Net sales	339	346	354	344
Net sales and operating revenues	11	9	11	12
Net sales combined with other items	4	6	9	9
Sales				
Sales	86	81	73	85
Sales and operating revenues	24	28	25	30
Sales combined with other items	14	14	15	6
Other Captions				
Revenue	114	111	101	109
Gross sales, billings, shipments, etc.	8	5	12	5
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: GAINS

	Number of Companies			
	1995	1994	1993	1992
Interest	324	331	334	349
Sale of assets	139	121	104	121
Equity in earnings of investees	108	92	80	88
Dividends	80	89	90	84
Foreign currency transactions	50	38	48	50
Royalties	24	27	32	32
Liability accrual reduced	17	10	—	—
Litigation settlements	10	10	17	16
Rentals	10	10	9	10
Public offering of subsidiary's stock	6	12	10	7

REVENUES

AT&T CORP. (DEC)

Dollars in millions	1995	1994	1993
Sales and Revenues			
Telecommunications services	$47,277	$44,600	$42,779
Products and systems	22,412	21,161	17,925
Rentals and other services	6,189	6,216	6,143
Financial services and leasing	3,731	3,117	2,504
Total revenues	79,609	75,094	69,351
Costs			
Telecommunications services			
Access and other interconnection costs	17,618	17,797	17,772
Other costs	9,123	7,873	7,937
Total telecommunications services	26,741	25,670	25,709
Products and systems	16,045	13,273	10,966
Rentals and other services	4,098	3,287	3,319
Financial services and leasing	2,646	2,152	1,711
Total costs	49,530	44,382	41,705
Gross margin	30,079	30,712	27,646

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

Revenue From	Basis of Recognition
Telecommunications Services	Minutes of traffic processed and contracted fees.
Products and Systems	Percentage-of-completion method for most long-term contracts; upon performance of contractual obligations for others.
Rentals and Other Services	Proportionately over contract periods or as services are performed.
Financial Services and Leasing	Over the life of the finance receivables using the interest method, or straight-line over life of operating leases.

AMDAHL CORPORATION (DEC)

(Dollars in thousands)	1995	1994	1993
Revenues			
Equipment sales	$803,567	$1,050,236	$1,132,447
Service, software and other	712,821	588,377	548,085
	1,516,388	1,638,613	1,680,532
Cost of Revenues			
Equipment sales	540,541	716,144	881,528
Service, software and other	419,046	327,420	350,982
	959,587	1,043,564	1,232,510
Gross margin	556,801	595,049	448,022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Practices

Revenues

Revenues from equipment sales and sales-type leases are generally recognized when the equipment has been shipped, installed and financing arrangements have been completed. Revenues from operating leases are recognized over the term of the respective contracts.

Service for Amdahl products is provided under service and parts warranty or separate maintenance agreements. The large-scale computer systems normally carry a one year service and parts warranty, and the storage and other products usually have shorter warranty periods. Where material, a portion of equipment sales revenue is deferred and recognized over the warranty period as service is provided. Following the warranty period, Amdahl provides maintenance service under separate contracts which typically can be terminated by the customer on ninety days notice. Revenues from maintenance contracts are recognized over the term of the respective contracts as service is provided.

The Company accounts for software revenues in accordance with the American Institute of Certified Public Accountants' Statement of Position 91-1, Software Revenue Recognition. Revenues earned under software license agreements with end users are generally recognized when the software has been shipped, payment is due within one year, collectibility is probable, and there are no significant obligations remaining.

DAYTON HUDSON CORPORATION (JAN)

(Millions of dollars)	1995	1994	1993
Revenues	$23,516	$21,311	$19,233
Costs and Expenses			
Cost of retail sales, buying and occupancy	17,527	15,636	14,164
Selling, publicity and administrative	4,043	3,614	3,158
Depreciation and amortization	594	548	515
Interest expense, net	442	426	446
Taxes other than income taxes	409	373	343
Total Costs and Expenses	23,015	20,597	18,626
Earnings Before Income Taxes	501	714	607

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part):

Revenues
Finance-charge revenues and late fees on internal credit sales were $292 million on sales of $3.8 billion in 1995, $248 million on sales of $3.6 billion in 1994 and $200 million on sales of $3.5 billion in 1993. Leased department sales were $153 million, $156 million and $165 million in 1995, 1994 and 1993, respectively.

DUPLEX PRODUCTS INC. (OCT)

(In thousands)	1995	1994	1993
Net sales	$275,728	$265,791	$258,867
Cost of goods sold	210,931	204,062	194,977
Gross profit	64,797	61,729	63,890

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

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

Revenue Recognition. The Company recognizes revenue when product is shipped or, for custom forms stored for future delivery, when manufacturing is complete and the product is invoiced, with payment due in the normal course of business. Prior to the year ended October 29, 1994, the Company recorded sales for stored custom forms upon completion of the production process and customer acceptance.

In 1994, the Company changed the method of recognizing revenue for certain custom forms in order to better manage cash flow, increase the turnover of working capital, and lower costs associated with managing receivable levels. This had the effect of increasing the Company's 1994 net loss by $7,084 ($0.93 per share), which represented the cumulative impact of the change for periods prior to 1994.

FLEETWOOD ENTERPRISES, INC. (APR)

(Amounts in thousands)	1995	1994	1993
Operating Revenues:			
Manufacturing sales	$2,807,862	$2,332,184	$1,907,899
Finance revenues	47,812	37,191	34,022
	2,855,674	2,369,375	1,941,921
Cost and Expenses:			
Cost of products sold	2,287,880	1,905,659	1,541,277
Operating expenses	409,305	343,729	302,190
Finance interest expense	21,593	15,622	14,979
	2,718,778	2,265,010	1,858,446
Operating income	136,896	104,365	83,475

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue recognition. Sales are recorded when products are shipped from factories to the Company's dealers. The vast majority of sales are made for cash; however, most dealers finance their purchases under flooring arrangements with banks or finance companies. The Company allows ten business days from date of shipment for lenders to process paperwork and make payment. Products are not sold on consignment and dealers do not have the right to return products.

SCHULLER CORPORATION (DEC)

(In thousands of dollars)	1995	1994	1993
Net sales	$1,391,522	$1,277,818	$1,165,810
Cost of sales	993,111	935,951	908,529
Selling, general and administrative	150,135	148,797	134,400
Research, development and engineering	29,988	29,738	27,972
Restructuring of operations loss, net			(32,014)
Other income (expense), net	(17,005)	(21,033)	(10,444)
Income from operations	201,283	142,299	52,451

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition
The Company recognizes revenue from product sales upon shipment. The Company estimates and records provisions for cash discounts, quantity rebates, sales returns, allowances and original warranties in the period the sale is reported, based on its experience.

The Company also sells extended roofing product guarantees for periods of 5 to 20 years. These extended guarantees cover the water tightness of roofing systems resulting from defects in materials or deficiencies in workmanship. Revenue on these product guarantees for other than single-ply roofing products is recognized on a straight-line basis over the lives of the guarantees, which approximates the timing of the costs incurred to fulfill such contractual obligations. Single-ply roofing guarantee income is deferred and recognized over the contract period in proportion to costs incurred.

GAINS

Sale Of Assets

ALUMAX INC. (DEC)

(Millions of dollars)	1995	1994	1993
Net sales	$2,926.1	$2,754.5	$2,347.3
Cost and expenses:			
Cost of goods sold	2,298.3	2,290.1	2,053.0
Selling and general	220.2	215.3	203.0
Depreciation and amortization	109.1	115.1	115.6
Restructuring charges	(7.3)	—	91.8
	2,620.3	2,620.5	2,463.4
Earnings (loss) from operations	305.8	134.0	(116.1)
Gain on sale of aluminum reduction assets-Note 16	128.8	—	—
Interest expense, net	(65.4)	(72.6)	(76.5)
Other income, net	7.3	11.0	6.0
Earnings (loss) before income taxes and cumulative effect of accounting change	376.5	72.4	(186.6)

NOTES TO FINANCIAL STATEMENTS
(Millions of dollars, except per share amounts)

Note 16. Gain on Sale of Aluminum Reduction Assets

In March 1995, the Company sold a 14 percent undivided interest in each of the Company's Intalco and Eastalco primary aluminum reduction facilities to a Japanese consortium for cash proceeds of $147.6, resulting in a gain of $128.8 ($81.3 after-tax, or $1.81 per common share). This transaction reduces the Company's ownership in each facility to 61 percent.

On January 26, 1996, the Company sold a 23 percent undivided interest in its Mt. Holly aluminum smelter to a subsidiary of Glencore for $89.3, which the Company has applied to the early retirement of a $90.7 promissory note due in May 1996. The Company will record a pretax gain in excess of $75 in connection with this transaction. The transaction reduced the Company's ownership in the Mt. Holly facility to 50.33 percent.

MONSANTO COMPANY (DEC)

(Dollars in millions)	1995	1994	1993
Net sales	$8,962	$8,272	$7,902
Cost of goods sold	5,109	4,774	4,564
Gross Profit	3,853	3,498	3,338
Marketing expenses	1,282	1,191	1,199
Administrative expenses	598	589	548
Technological expenses	713	674	695
Amortization of intangible assets	119	81	81
Restructuring expenses—net	156	40	5
Operating Income	985	923	810
Interest expense	(190)	(131)	(129)
Interest income	59	81	40
Gain on sale of styrenics plastics business	189		
Other income (expense)—net	44	22	8
Income Before Income Taxes	1,087	895	729

NOTES TO FINANCIAL STATEMENTS

Principal Acquisitions and Divestitures (In Part):

In December 1995, Monsanto sold its worldwide styrenics plastics business. In a separate but related transaction, Monsanto has reached an agreement to sell its shares in Monsanto Premier Kasei Co. Ltd., a styrenics plastics manufacturing joint venture in Thailand, to one of its joint venture partners. As a result of these transactions, Monsanto received $580 million, which resulted in an after-tax gain of $116 million (net of applicable income taxes of $73 million). Monsanto's results of operations for 1995 included net sales and operating income of $663 million and $12 million, respectively, from the styrenics plastics business.

TRIBUNE COMPANY (DEC)

(In thousands of dollars)	1995	1994	1993
Operating Revenues			
Publishing			
Advertising	$1,010,782	$961,694	$876,327
Circulation	249,860	242,993	246,178
Other	52,125	41,690	40,611
Total	1,312,767	1,246,377	1,163,116
Broadcasting and entertainment	828,806	764,197	727,213
Education	103,101	102,062	21,209
Total operating revenues	2,244,674	2,112,656	1,911,538
Operating Expenses			
Cost of sales (exclusive of items shown below)	1,164,609	1,059,306	1,007,902
Selling, general and administrative	553,868	541,350	444,471
Depreciation and amortization of intangible assets	120,986	115,375	102,762
Total operating expenses	1,839,463	1,716,031	1,555,135
Operating Profit	405,211	396,625	356,403
Dispositions of subsidiary stock and investment	14,672	—	—
Interest income	14,465	15,807	15,115
Interest expense	(21,814)	(20,585)	(24,660)
Income from Continuing Operations Before Income Taxes	412,534	391,847	346,858

NOTES TO FINANCIAL STATEMENTS

Note 3 (In Part): Changes in Operations and Unusual Items

Dispositions. In December 1995, the Company sold Compton's NewMedia to SoftKey International Inc. for $120.5 million of SoftKey common stock (5.1 million shares, or 16% of common shares outstanding) and a $3 million note. In connection with the Compton's sale, the Company also invested $150 million in SoftKey in exchange for five-year, 5.5% notes, convertible into common stock at $53 per share. The notes were recorded at $100 million, representing their estimated fair value at the time of the transaction. The $50 million difference between fair value and face value will be amortized into interest income over the five-year term of the notes, making the effective interest rate on the notes 15.5%. These transactions resulted in a pretax gain of $6.9 million and an after-tax gain of $4.1 million, or $.06 per share on a primary basis. Compton's operating results included in the consolidated statements of income were operating revenues of $26.4 million, $42.8 million and $13.3 million in 1995, 1994 and 1993, respectively, and operating losses of $12.1 million and $11.0 million in 1995 and 1994 and operating profit of $.8 million in 1993.

In July 1995, the Company sold Times Advocate Company, a California newspaper subsidiary, for $16 million in cash. The sale resulted in a pretax loss of $7.5 million and an after-tax loss of $4.5 million, or $.07 per share. Times Advocate operating results included in the consolidated statements of income were revenues of $8.5 million, $17.5 million and $16.5 million in 1995, 1994 and 1993, and operating losses of $1.4 million, $3.2 million and $3.1 million in 1995, 1994 and 1993, respectively.

In March 1995, the Company sold shares of America Online common stock for approximately $17 million. The sale resulted in a pretax gain of $15.3 million and an after-tax gain of $9.1 million, or $.14 per share. The Company currently owns approximately 5% of America Online common stock.

Equity in Earnings of Investees

ALLIEDSIGNAL INC. (DEC)

(Dollars in millions)	1995	1994	1993
Net sales	$14,346	$12,817	$11,827
Cost of goods sold	11,539	10,299	9,551
Selling, general and administrative expenses	1,503	1,365	1,338
Nonrecurring items	44	—	(16)
Total costs and expenses	13,086	11,665	10,873
Income from operations	1,260	1,152	954
Equity in income of affiliated companies	191	129	122
Other income (expense)	(22)	(27)	(9)
Interest and other financial charges	(168)	(143)	(157)
Income before taxes on income	1,261	1,111	910

Foreign Currency Transactions

HALLIBURTON COMPANY (DEC)

(Millions of dollars)	1995	1994	1993
Revenues			
Energy services	$2,623.4	$2,514.0	$2,953.4
Engineering and construction services	3,075.3	2,996.2	3,140.7
Total revenues	$5,698.7	$5,510.2	$6,094.1
Operating income (loss)			
Energy services	$ 313.7	$ 191.8	$ (148.4)
Engineering and construction services	103.0	67.2	78.9
General corporate	(33.5)	(22.9)	(22.0)
Total operating income (loss)	383.2	236.1	(91.5)
Interest expense	(46.2)	(47.1)	(50.1)
Interest income	27.8	16.1	14.0
Foreign currency gains (losses)	1.5	(16.0)	(20.8)
Gains on sale of compression services	—	102.0	—
Other nonoperating income, net	0.3	0.4	0.7
Income (loss) from continuing operations before income taxes and minority interests	366.6	291.5	(147.7)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Currency Translation. Foreign entities whose functional currency is the U.S. dollar translate monetary assets and liabilities at year-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except for depreciation and cost of product sales which are translated at historical rates. Gains or losses from changes in exchange rates are recognized in consolidated income in the year of occurrence. Foreign entities whose functional currency is the local currency translate net assets at year-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the Shareholders' Equity section titled "Cumulative translation adjustment".

Liability Accruals Reduced

GOULDS PUMPS, INCORPORATED (DEC)

(Dollars in thousands)	1995	1994	1993
Net sales	$718,763	$585,476	$555,692
Cost and expenses			
Cost of sales	514,050	418,386	399,374
Selling, general and administrative expenses	144,603	117,572	115,153
Research and development expenses	8,227	10,564	7,177
Restructuring charges	18,513	3,463	—
Provision (credit) for environmental litigation	(890)	3,454	—
Earnings from affiliates	(23)	(451)	(4,569)
Interest expense	11,373	6,553	5,403
Interest income	(1,825)	(3,038)	(1,909)
Other (income) expense-net	(361)	(670)	648
	693,667	555,833	521,277
Earnings before income taxes and cumulative effect of accounting change	25,096	29,643	34,415

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

1 (In Part): Summary of Significant Accounting Policies

Litigation and Environmental Expenditures Policy
The Company is a party to various legal and environmental actions which have arisen in the ordinary course of its business. The Company records liabilities and insurance recoveries when they are probable and can be estimated. The Company's 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 that do not contribute to current or future revenue generation, are expensed. Liabilities are recorded on a gross basis when environmental assessments and/or remedial efforts become probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

13 (In Part): Unusual Charges

Provision for Environmental Litigation. A charge of $3,454 pre-tax was recorded in 1994 for legal and other fees related to the Company's vigorous defense of lawsuits commenced in California and Washington in that year alleging unlawful discharge of lead into drinking water sources, and a class action complaint principally alleging violations of federal securities laws. In 1995, after all litigation was resolved, the Company reversed into income the remaining accrual of $890.

Litigation Settlements

DATA GENERAL CORPORATION (SEP)

(In thousands)	1995	1994	1993
Revenues			
Product	$ 757,338	$ 722,423	$ 672,965
Service	401,978	398,082	404,904
Total revenues	1,159,316	1,120,505	1,077,869
Costs and Expenses			
Cost of product revenues	514,049	483,808	415,128
Cost of service revenues	257,998	249,306	239,590
Research and development	85,886	90,826	100,172
Selling, general, and administrative	334,337	341,343	346,740
Restructuring charge	43,000	35,000	25,000
Total costs and expenses	1,235,270	1,200,283	1,126,630
Loss from operations	(75,954)	(79,778)	(48,761)
Interest income	9,710	5,881	8,032
Interest expense	13,826	14,049	14,766
Other income, net	41,972	2,353	416
Loss before income taxes	(38,098)	(85,593)	(55,079)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Financial Instruments, Commitments and Contingencies

Litigation. In the first quarter of fiscal 1995, the company settled with Northrop Grumman Corporation its six-year copyright infringement and trade secrets litigation against Grumman Support Systems Corporation (Grumman). Under the terms of this settlement, Grumman paid the company $53 million and the parties have dismissed all pending litigation. The company recognized a pre-tax gain, net of related legal fees and other expenses, of $44.5 million resulting from the settlement, which is included in other income, net, in the Consolidated Statement of Operations.

MEDICAL GRAPHICS CORPORATION (DEC)

	1995	1994	1993
Equipment sales	$16,880,455	$18,745,967	$15,416,976
Service and supply revenue	4,759,132	4,332,611	3,659,526
Total Revenue	21,639,587	23,078,578	19,076,502
Cost of equipment sales	9,991,247	9,723,042	7,678,044
Cost of service and supply revenue	2,337,253	2,098,952	1,727,351
Cost of Goods Sold	12,328,500	11,821,994	9,405,395
Gross Margin	9,311,087	11,256,584	9,671,107
Operating expenses:			
Selling	7,253,096	6,529,918	5,284,458
Administration and general	3,032,797	1,887,282	1,740,142
Research and development	1,933,683	1,937,821	1,545,821
	12,219,576	10,355,021	8,570,421
Income (Loss) from operations	(2,908,489)	901,563	1,100,686
Other Income—SensorMedics Settlement	975,000		
Interest Income (Expense)	(104,608)	26,302	24,518
Income (Loss) Before Income Taxes	(2,038,097)	927,865	1,125,204

NOTES TO FINANCIAL STATEMENTS

Note 9. Litigation

Medical Graphics Corporation vs. SensorMedics Corporation, Case No. 3-94-525 (Minn. D. Ct.). On April 15, 1994, the Company commenced an action (the "action") against SensorMedics Corporation, a California corporation ("SensorMedics"), alleging that SensorMedics had infringed the Company's patent on a cardiopulmonary diagnostic exercise testing system and for various acts of unfair competition. SensorMedics denied the allegations and asserted counterclaims against the Company for patent infringement and unfair competition. The Company denied those allegations. In various pretrial rulings, the court dismissed SensorMedics' claim of patent infringement and certain of its unfair competition claims against the Company. Prior to the commencement of trial, the Company and SensorMedics reached a settlement. While the precise terms of the settlement are confidential, the settlement agreement states that the Company will receive aggregate payments of $4.35 million from which the Company will retain approximately $2.83 million after deducting legal expenses associated with the litigation, including an initial payment of $1.5 million, of which the Company retained approximately $975,000 after deducting legal expenses and subsequent semiannual payments over an eight-year period, subject to mandatory prepayment upon the occurrence of certain financing and other events by SensorMedics. A judgment was entered dismissing with prejudice all remaining claims against the Company, granting the Company the right to proceed against one of SensorMedics' insurers for an additional $250,000, and upholding the validity, enforceability and infringement of the Company's patent.

Unrealized Gain

ARDEN GROUP, INC. (DEC)

(In thousands)	1995	1994	1993
Sales	$242,962	$246,199	$246,912
Cost of Sales	147,900	151,178	152,762
Gross profit	95,053	95,021	94,150
Delivery, selling, general and administrative expenses	86,841	86,716	87,739
Operating income	8,212	8,305	6,411
Interest and dividend income	2,702	3,050	1,404
Other income (expense), net	(13)	(501)	132
Interest expense	(559)	(946)	(1,486)
Net unrealized gain (loss) on marketable securities	1,430	(1,786)	
Income from continuing operations, before income taxes	11,772	8,122	6,461

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 FIFO cost method.

Contribution Of Subsidiary Stock

McKESSON CORPORATION (MAR)

(In millions)	1995	1994	1993
Revenues	$13,189.1	$12,251.4	$11,555.7
Cost and Expenses			
Cost of sales	12,095.2	11,187.0	10,490.9
Selling	254.0	242.8	233.2
Distribution	361.6	375.9	383.0
Administrative	508.4	235.4	235.0
Interest	46.0	41.3	49.5
Total	13,265.2	12,082.4	11,391.6
Gain on sale and donation of subsidiary stock	5.4	55.1	—
Income (loss) before taxes on income	(70.7)	224.1	164.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Charges and Gains in Continuing Operations

The current year contributions to the McKesson Foundation consisted of shares of the Company's majority-owned Armor All Products Corporation subsidiary. A pretax gain of $5.4 million was recorded on the donations. The shares donated to the McKesson Foundation had a market value of $7.4 million, which was recorded as a contribution expense within administrative expense.

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). Table 3-7 shows a large increase in the number of survey companies reporting asset write-downs. The increase is attributable to the early adoption of *Statement of Financial Accounting Standards No. 121* by a significant number of survey companies. *SFAS No. 121,* which is effective for fiscal years beginning after December 15, 1995, requires, if circumstances as defined in the Statement so require, the recognition of impairment losses of long-lived assets. Such a loss should be included in income (loss) from continuing operations. If an entity presents a multiple-step income statement showing income (loss) from operations, the impairment loss should be reported as a component of income (loss) from operations.

Examples of expenses and losses follow.

TABLE 3-5: EXPENSES—COST OF GOODS SOLD CAPTIONS

	1995	1994	1993	1992
Single Amount				
Cost of sales	260	257	255	263
Cost of goods sold	102	107	107	108
Cost of products sold	104	103	106	112
Cost of revenues	15	21	20	11
Elements of cost	15	13	11	10
Other captions	65	72	66	58
	561	573	565	562
More Than One Amount	39	27	35	38
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1995	1994	1993	1992
Selling, general and administrative	340	344	344	353
Selling and administrative	152	152	156	152
General and/or administrative	89	79	78	68
Selling	20	14	20	15
Interest	579	583	577	579
Research, development, engineering, etc.	296	306	300	297
Advertising	100	54	42	44
Maintenance and repairs	34	48	70	82
Provision for doubtful accounts	31	33	31	29
Taxes other than income taxes	29	37	51	61
Exploration, dry holes, abandonments	23	22	26	26

TABLE 3-7: LOSSES

	Number of Companies			
	1995	1994	1993	1992
Restructuring of operations	129	100	190	138
Write-down of assets	114	64	64	48
Intangible asset amortization	110	109	108	90
Foreign currency transactions	96	115	102	101
Minority interest	34	37	32	31
Environmental cleanup	28	32	27	23
Litigation settlements	25	28	23	16
Sale of assets	25	24	29	35
Sale of receivables	25	21	17	—
Equity in losses of investees	15	30	24	28

EXPENSES

Cost of Goods Sold

BRIGGS & STRATTON CORPORATION (JUN)

	1995	1994	1993
Net Sales	$1,339,677	$1,285,517	$1,139,462
Cost of Goods Sold	1,068,059	1,018,977	926,861
Gross Profit on Sales	271,618	266,540	212,601

CHESAPEAKE CORPORATION (DEC)

(In millions)	1995	1994	1993
Net sales	$1,233.7	$990.5	$885.0
Costs and expenses:			
Cost of products sold	867.9	723.7	668.7
Depreciation and cost of timber harvested	73.6	70.9	70.2
Selling, general and administrative expenses	130.9	114.8	102.1
Income from operations	161.3	81.1	44.0

IMC GLOBAL INC. (JUN)

(In millions)	1995	1994	1993
Net sales	$1,924.0	$1,441.5	$897.1
Cost of goods sold	1,475.5	1,233.9	772.2
Gross margins	448.5	207.6	124.9

KELLY SERVICES, INC. (DEC)

(In thousands of dollars, except per share items)	1995	1994	1993
Sales of services	$2,689,799	$2,362,561	$1,954,534
Cost of services	2,148,406	1,899,552	1,573,797
Gross profit	541,393	463,009	380,737

Interest Expense

ECHLIN INC. (AUG)

(In thousands)	1995	1994	1993
Net sales	$2,717,866	$2,229,474	$1,944,463
Cost of goods sold	1,932,461	1,571,256	1,377,954
Gross profit on sales	785,405	658,218	566,509
Selling and administrative expenses	531,286	468,511	420,460
Income from operations	254,119	189,707	146,049
Interest expense	39,313	23,504	19,403
Interest income	15,674	11,843	10,930
Interest expense, net	23,639	11,661	8,473
Income before taxes	230,480	178,046	137,576

TRINITY INDUSTRIES, INC. (MAR)

(In millions)	1995	1994	1993
Revenues	$2,314.9	$1,784.9	$1,540.0
Operating costs:			
Cost of revenues	2,019.7	1,541.2	1,333.7
Selling, engineering and administrative expenses	104.5	94.2	93.4
Interest expense of Leasing Subsidiary	21.1	23.7	28.1
Retirement plans expense	12.1	9.2	10.2
	2,157.4	1,668.3	1,465.4
Operating profit	157.5	116.6	74.6
Other (income) expenses:			
Interest income	(0.8)	(1.6)	(1.2)
Interest expense—excluding Leasing Subsidiary	12.2	5.6	4.5
Other, net	(1.4)	(1.6)	(0.8)
	10.0	2.4	2.5
Income before income taxes and cumulative effect of change in accounting for income taxes	147.5	114.2	72.1

Research And Development

CTS CORPORATION (DEC)

(In thousands of dollars)	1995	1994	1993
Net sales	$300,157	$268,707	$236,979
Cost and expenses:			
Cost of goods sold	225,353	205,640	183,927
Selling, general and administrative expenses	39,312	36,175	36,323
Research and development expenses	8,004	6,208	5,708
Operating earnings	27,488	20,684	11,021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Research and Development: Research and development costs consist of expenditures incurred during the course of planned search and investigation aimed at discovery of new knowledge which will be useful in developing new products or processes, or significantly enhancing existing products or production processes, and the implementation of such through design, testing of product alternatives or construction of prototypes. The Company expenses all research and development costs as they are incurred.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

(Dollars in millions)	1995	1994	1993
Revenue	$71,940	$64,052	$62,716
Cost:			
Hardware sales	21,862	21,300	20,696
Services	10,042	7,769	8,279
Software	4,428	4,680	4,310
Maintenance	3,651	3,635	3,545
Rentals and financing	1,590	1,384	1,738
Total cost	41,573	38,768	38,568
Gross profit	30,367	25,284	24,148
Operating expenses:			
Selling, general and administrative	16,766	15,916	18,282
Research, development and engineering	6,010	4,363	5,558
Restructuring charges	—	—	8,945
Total operating expenses	22,776	20,279	32,785
Operating income (loss)	7,591	5,005	(8,637)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. Research, Development and Engineering

Research, development and engineering expenses amounted to $6,010 million in 1995, $4,363 million in 1994 and $5,558 million in 1993. Expenditures for product-related engineering included in these amounts were $783 million, $981 million and $1,127 million in 1995, 1994 and 1993, respectively.

Expenditures of $5,227 million in 1995, $3,382 million in 1994 and $4,431 million in 1993 were made for research and development activities covering basic scientific research and the application of scientific advances to the development of new and improved products and their uses. Of these amounts, software-related activities were $2,997 million, $793 million and $1,097 million in 1995, 1994 and 1993, respectively.

Included in the 1995 research, development and engineering expenses as part of software-related activities was a $1,840 million charge for purchased in-process research and development in connection with the acquisition of Lotus in July 1995.

Advertising

THE COCA-COLA COMPANY (DEC)

(In millions)	1995	1994	1993
Net Operating Revenues	$18,018	$16,181	$13,963
Cost of goods sold	6,940	6,168	5,160
Gross Profit	11,078	10,013	8,803
Selling, administrative and general expenses	6,986	6,297	5,695
Operating Income	4,092	3,716	3,108
Interest income	245	181	144
Interest expense	272	199	168
Equity income	169	134	91
Other income (deductions)-net	20	(104)	(2)
Gain on issuance of stock by Coca-Cola Amatil	74	—	12
Income before Income Taxes and Change in Accounting Principle	4,328	3,728	3,185

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Advertising Costs

The Company generally expenses production cost of print, radio and television advertisements as of the first date the advertisements take place. Advertising expenses included in selling, administrative and general expenses were $1,333 million in 1995, $1,142 million in 1994 and $1,002 million in 1993. As of December 31, 1995 and 1994, advertising costs of approximately $299 million and $259 million, respectively, were recorded primarily in prepaid expenses and other assets in the accompanying balance sheets.

ADOLPH COORS COMPANY (DEC)

(In thousands)	1995	1994	1993
Sales	$2,060,595	$2,040,330	$1,946,592
Less—federal and state excise taxes	385,216	377,659	364,781
Net sales	1,675,379	1,662,671	1,581,811
Costs and expenses:			
Cost of goods sold	1,091,763	1,062,789	1,036,864
Marketing, general and administrative	503,503	492,403	454,130
Research and project development	15,385	13,265	13,008
Special (credits) charges	(15,200)	(13,949)	122,540
Total operating expenses	1,595,451	1,554,508	1,626,542
Operating income (loss)	79,928	108,163	(44,731)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Advertising: Advertising costs, included in marketing, general and administrative, are expensed when the advertising first takes place. Advertising expense was $330.4 million, $327.6 million and $272.5 million for the years ended December 31, 1995, December 25, 1994, and December 26, 1993, respectively. The Company had $8.9 million and $5.0 million of prepaid advertising production costs reported as assets at December 31, 1995, and December 25, 1994, respectively.

PEPSICO, INC. (DEC)

(In millions)	1995	1994	1993
Net Sales	$30,421	$28,472	$25,021
Cost and Expenses, net			
Cost of sales	14,886	13,715	11,946
Selling, general and administrative expenses	11,712	11,244	9,864
Amortization of intangible assets	316	312	304
Impairment of long-lived assets	520	—	—
Operating Income	2,987	3,201	2,907

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketing Costs. Marketing costs are reported in selling, general and administrative expenses and include costs of advertising, marketing and promotional programs. Promotional discounts are expensed as incurred and other marketing costs not deferred at year-end are charged to expense ratably in relation to sales over the year in which incurred. Marketing costs deferred at year-end, which are classified in prepaid expenses in the Consoli-

dated Balance Sheet, consist of media and personal service advertising prepayments, promotional materials in inventory and production costs of future media advertising; these assets are expensed in the year first used.

Promotional discounts to retailers in the beverage segment are classified as a reduction of sales; in the snack food segment, such discounts are generally classified as marketing costs. The difference in classification reflects our view that promotional discounts are so pervasive in the beverage industry, compared to the snack food industry, that they are effectively price discounts and should be classified accordingly. A current survey of the accounting practice of others in the beverage and snack food industries confirmed that our beverage classification is consistent with others in that industry while practice in the snack food industry is mixed.

Advertising expense was $1.8 billion, $1.7 billion and $1.6 billion in 1995, 1994 and 1993, respectively. Prepaid advertising as of year-end 1995 and 1994 was $78 million and $70 million, respectively.

Provision For Doubtful Accounts

BURLINGTON INDUSTRIES, INC. (SEP)

(Amounts in thousands)	1995	1994	1993
Net sales	$2,209,191	$2,127,067	$2,057,943
Cost of sales	1,843,752	1,744,880	1,658,285
Gross profit	365,439	382,187	399,658
Selling, administrative and general expenses	162,504	151,322	143,290
Provision for doubtful accounts	10,382	1,625	5,229
Amortization of goodwill	18,055	17,498	17,498
Provision for restructuring	—	7,500	19,500
Operating income	174,498	204,242	214,141

LOSSES

Restructuring Of Operations

FIELDCREST CANNON, INC. (DEC)

(Dollars in thousands)	1995	1994	1993
Net sales	$1,095,193	$1,063,731	$1,000,107
Cost of sales	966,642	898,437	834,701
Selling, general and administrative	108,194	94,756	101,843
Restructuring charges (note 2)	20,469	—	10,000
Total operating costs and expenses	1,095,305	993,193	946,544
Operating income (loss)	(112)	70,538	53,563

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Restructuring Charges

During 1995 the Company reorganized its New York operations and relocated sales, marketing and design personnel to Kannapolis, N.C. In conjunction with the reorganization, the Company offered a voluntary early retirement program to its salaried employees. In December 1995 the Company announced the closing of two yarn mills and agreed to sell a warehouse. As a result of these actions the Company incurred restructuring charges of $20.5 million in 1995. The restructuring charges include approximately $15.6 million primarily for severance and termination benefits for 54 employees, the voluntary early retirement program which was accepted by 87 employees and lease costs in connection with the New York reorganization and $4.4 million for the write-down of yarn equipment and $.5 million for termination benefits associated with closing the yarn mills. These charges increased the 1995 loss by $12.1 million, or $1.37 per share.

Concurrent with the purchase of the capital stock of Amoskeag Company the Company implemented a number of programs to reduce overhead and cut costs in 1993. As a result of this process, restructuring charges were incurred in 1993 which reduced pre-tax operating income by $10 million. The restructuring charges include $8 million for the cost of a voluntary early retirement program which was accepted by 184 employees and severance for additional staff reductions, and $2 million for direct non-recurring expenses incurred by the Company in evaluating the purchase of the capital stock of Amoskeag Company. These expenses did not contribute to the ultimate consummation of the tender offer to acquire Amoskeag Company. These charges reduced 1993 net income by $6.1 million, or $.52 per share.

LOCKHEED MARTIN CORPORATION (DEC)

(In millions)	1995	1994	1993
Net sales	$22,853	$22,906	$22,397
Cost and expenses:			
Cost of sales	20,881	21,127	20,857
Merger related and consolidation expenses	690	—	—
Earnings from operations	1,282	1,779	1,540

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Formation of Lockheed Martin and Related Consolidation Activities

On August 29, 1994, Lockheed Martin Corporation, a newly formed corporation, Lockheed Corporation (Lockheed) and Martin Marietta Corporation (Martin Marietta) (collectively, the Corporations) entered into an Agreement and Plan of Reorganization (the Reorganization Agreement) whereby the Corporations would merge through an exchange of stock (the Business Combination). The Business Combination was consummated after stockholders' approval on March 15, 1995.

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During the first quarter of 1995, the Corporation recorded a $165 million pretax charge for merger related expenses. On June 26, 1995, the Corporation announced a corporate-wide consolidation plan under which the Corporation would close 12 facilities and laboratories as well as 26 duplicative field offices in the U.S. and abroad, eliminating up to approximately 12,000 positions. In conjunction with the announcement, the Corporation recorded accruals for severance, lease termination and certain other costs as well as approximately $220 million of adjustments to reflect affected real estate and other property, plant and equipment at their estimated net realizable values. Under existing U.S. Government regulations, certain costs incurred for consolidation actions that can be demonstrated to result in savings in excess of the cost to implement can be amortized for government contracting purposes and included in future pricing of the Corporation's products and services. The Corporation anticipates that a substantial portion of the total costs of the consolidation plan will be reflected in future sales and cost of sales. The Corporation recorded a pretax charge of $525 million for the consolidation plan which represents the portion of the accrued costs and net realizable value adjustments that are not probable of recovery. The after-tax effect of these charges was $436 million, or $1.96 per common share assuming full dilution. As of December 31, 1995, the total merger related and consolidation plan expenditures were approximately $208 million which primarily relate to the Business Combination, the elimination of positions and the closure of foreign and domestic marketing offices. Approximately $400 million of accrued merger and consolidation costs are included in other current liabilities at December 31, 1995.

Other costs of the consolidation plan, which include relocation of personnel and programs, retraining, process re-engineering and certain capital expenditures, among others, generally will be recognized when incurred. The Corporation currently anticipates that the remaining consolidation costs will be incurred by the end of 1997.

SPX CORPORATION (DEC)

(In thousands)	1995	1994	1993
Revenues	$1,098,103	$1,079,870	$747,171
Costs and expenses:			
Cost of products sold	853,537	821,505	508,032
Selling, general, and administrative	194,485	198,032	204,116
Goodwill/intangibles amortization	8,824	7,767	5,168
Minority interest (income) loss	3,278	(2,198)	—
Earnings from equity interests	(3,836)	(2,692)	(178)
Restructuring charge (Note 7)	10,724	—	27,500
SPT equity losses	—	—	26,845
SP Europe equity loss	—	—	21,500
Operating income (loss)	31,091	57,456	(45,812)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

7. Restructuring Charges

1995 Restructuring Charge

During the fourth quarter of 1995, management authorized and committed the company to undertake two significant restructurings and recorded a combined restructuring charge of $10,724. The first restructuring plan will consolidate five Specialty Service Tool divisions into two divisions. The second restructuring plan will close SP Europe's German foundry operation and transfer certain piston ring operations to other manufacturing facilities.

Specialty Service Tool Restructuring

In order to improve customer service, reduce costs and improve productivity and asset utilization, the company decided to consolidate five existing Specialty Service Tool divisions into two divisions. This restructuring plan involves closing two company owned manufacturing facilities, a company owned distribution facility, four leased service centers and a leased sales facility in France. Additionally, the plan includes combining selling, engineering and administrative functions. This restructuring plan is expected to be completed by the end of 1996. The plan includes the termination of approximately 570 employees which will result in a net reduction of approximately 310 employee positions after considering staffing requirements at remaining facilities.

The company recorded a $7,000 restructuring charge to recognize severance and benefits for the employees to be terminated ($4,400), estimated holding costs of vacated facilities ($1,100), and to reflect the fair market value of one manufacturing facility to be closed ($1,500). The other company owned manufacturing facility and the distribution facility are expected to be sold at prices in excess of their net carrying value ($3,000). Also, the charge for severance and benefits for the employees to be terminated is net of a $3,127 curtailment gain for pension and postretirement health care benefits. At December 31, 1995, no costs have been charged against these restructuring accruals.

The company is also estimating that approximately $11,000 of incremental costs associated with this restructuring will be incurred in 1996. These incremental costs will benefit future operations and do not qualify for accrual in 1995. Examples of these incremental costs include machinery and equipment and inventory moving costs, employee relocation costs, etc. Also, the company will record an approximate $1,000 restructuring charge in the first quarter of 1996 to reflect incremental early retirement costs for 55 of these employees who elected (in January 1996) to participate in an early retirement program.

SP Europe Restructuring—German Plant
The company will close its unprofitable foundry operations at SP Europe and transfer certain piston ring operations to other facilities. This closing will result in the elimination of approximately 200 employees and is planned to be completed by the end of the third quarter of 1996. The company recorded a $3,724 restructuring charge to accrue severance that will be paid to these affected employees. Additional costs to complete this restructuring in 1996 are not expected to be significant. At December 31, 1995, no costs have been charged against this restructuring accrual.

1993 Restructuring Charge
In the third quarter of 1993, the company initiated the merger of Allen Testproducts (acquired in June of 1993) with the company's Bear Automotive division to form a single business unit called Automotive Diagnostics. The company recorded a pretax $27,500 restructuring charge ($18,500 after-tax) to provide for substantial reduction in workforce and facilities related to the merger. Of the $27,500 restructuring charge, approximately $16,000 related to workforce reduction of approximately 600 employees and associated costs. The charge also included $9,300 of facility duplication and shutdown costs, including the write down of excess assets of $4,200 (non-cash).

UNIVAR CORPORATION (FEB)

(Thousands of dollars)	1995	1994	1993
Sales	$1,912,728	$1,802,464	$1,801,023
Cost of Sales	1,639,055	1,532,931	1,536,817
Gross Margin	273,673	269,533	264,206
Operating Expenses	248,767	242,388	243,008
Reengineering Charges	37,361	4,507	—
Income (Loss) from Operations	(12,455)	22,638	21,198

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Reengineering Charges

In the second quarter of fiscal 1994, the Corporation began work on a strategic business transformation of its U.S. operating company. As a result of this effort, at the end of the second quarter of fiscal 1995, the Corporation announced its plans to reorganize the U.S. operating company, redesign its distribution network, develop a national procurement and materials management strategy, increase sales force efficiency, improve gross margins, and reduce the amount of capital required to conduct ongoing operations. In support of this effort, during fiscal 1995 the Corporation recorded pretax reengineering charges of $37.4 million, which included the following:

	Millions	
	Pre-tax	After-tax
Severance, other employee benefits, and facility closure costs	$16.5	$10.3
Write-down (non-cash) to fair value of certain facilities	10.4	6.4
Consultant fees and travel costs	10.5	6.5
	$37.4	$23.2

At February 28, 1995, the remaining accruals relating to the above captioned charges totaled $20.4 million. For the year, cash expenditures and non-cash accrual reductions totaled $14.6 million and $2.4 million, respectively.

Write-Down Of Assets

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

(Thousands of dollars)	1995	1994	1993
Revenues			
Sales and operating revenues (including excise taxes of 1995, $413,290; 1994, $380,610; 1993, $296,228)	$1,864,639	$1,699,168	$1,747,411
Operating Costs and Expenses			
Cost and operating expenses	1,753,886	1,602,104	1,604,696
Selling and administrative expenses	82,792	84,754	91,714
Depreciation and amortization	36,640	42,644	41,873
Sales, abandonments and write-down of property, plant and equipment:			
Write-down of property, plant and equipment	80,524	16,841	
Sales and abandonments of property, plant and equipment	(311)	(840)	2,331
	1,953,531	1,745,503	1,740,614
Operating (Loss) Income	(88,892)	(46,335)	6,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Accounting Policies

Property, Plant and Equipment: Property, plant and equipment is carried at cost. Costs assigned to property, plant and equipment of acquired businesses are based on estimated fair value at the date of acquisition. Depreciation and amortization of plant and equipment are primarily provided using the straight-line method over estimated useful lives. Construction in progress is recorded in property, plant and equipment.

Expenditures which materially increase values, change capacities or extend useful lives are capitalized in property, plant and equipment. Routine maintenance, repairs and replacement costs are charged against current operations. At intervals of two or more years, the Company conducts a complete shutdown and inspection of significant units (turnaround) at its refineries to perform necessary repairs and replacements. Costs associated with these turnarounds are deferred and amortized over the period until the next planned turnaround, which generally ranges from 24 to 48 months.

Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gain or loss is included in income.

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," (SFAS 121). SFAS 121 requires that long-lived assets and certain identifiable intangibles, including goodwill, to be held and used by an entity, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset(s) may not be recoverable. The Company has chosen to adopt SFAS 121 effective October 1, 1995. The decline in operating margins and continuing operating losses were indicators of potential impairment at the Company's Tyler refinery. The estimated undiscounted cash flows anticipated from operating this refinery indicated that a write-down to fair market value was required under SFAS 121. This write-down from the initial adoption of SFAS 121 resulted in a charge to income before income taxes of $80.5 million which is included in the Statement of Operations as Write-downs of property, plant and equipment. The estimated fair value of these assets was determined by an independent appraisal.

AMDAHL CORPORATION (DEC)

(Dollars in thousands)	1995	1994	1993
Revenues			
Equipment sales	$803,567	$1,050,236	$1,132,447
Service, software and other	712,821	588,377	548,085
	1,516,388	1,638,613	1,680,532
Cost of Revenues			
Equipment sales	540,541	716,144	881,528
Service, software and other	419,046	327,420	350,982
	959,587	1,043,564	1,232,510
Gross margin	556,801	595,049	448,022
Operating Expenses			
Engineering and development	149,610	203,241	334,514
Marketing, general and administrative	370,771	327,917	354,939
Purchased in-process engineering and development	27,296	—	—
Restructuring costs	—	—	478,000
	547,677	531,158	1,167,453
Income (Loss) from Operations	9,124	63,891	(719,431)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Acquisition of DMR Group Inc.

On November 15, 1995 the Company acquired all of the outstanding shares of DMR Group Inc. (DMR), a multinational information technology consulting company, for $140 million. The acquisition was funded with existing cash. The results of DMR's operations have been combined with those of the Company since the date of acquisition.

The acquisition was accounted for using the purchase method of accounting. Accordingly, a portion of the purchase price was allocated to the net assets acquired based on their estimated fair values. The fair value of tangible assets acquired and liabilities assumed was $60 million and $55 million, respectively. In addition, $27,296,000 of the purchase price was allocated to in-process engineering and development projects that had not reached technological feasibility and had no probable alternative future uses, which the Company expensed at the date of acquisition. The balance of the purchase price, $108 million, was recorded as excess of cost over net assets acquired (goodwill) and is being amortized over twenty-five years on a straight-line basis.

CYPRUS AMAX MINERALS COMPANY (DEC)

(In millions)	1995	1994	1993
Revenue	$3,207	$2,788	$1,763
Costs and Expenses			
Cost of sales	2,108	2,071	1,333
Selling and administrative expenses	143	111	70
Depreciation, depletion, and amortization	296	253	145
Write-downs	445	10	—
Merger and reorganization expenses	—	13	33
Exploration expense	33	23	25
Total Costs and Expenses	3,025	2,481	1,606
Income from Operations	182	307	157

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Impairment of Long-Lived Assets

In the third quarter of 1995, Cyprus Amax adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (Note 5). SFAS No. 121 prescribes that an impairment loss is recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable, and an estimate of future undiscounted cash flows is less than the carrying amount of the asset. Impairment is recorded based on an estimate of future discounted cash flows.

Note 5. Write-Down of Assets and Reorganization Costs

In the third quarter of 1995, a $445 million pretax charge was recorded to write down certain coal assets and to provide for associated liabilities. On August 9, 1995, Amax Coal signed a new definitive coal contract with PSI Energy, Inc. that settled arbitration matters and disputes related to the prior contract. Amax Coal and PSI Energy had been in arbitration for several years over various matters related to the prior contract. Terms of the new agreement call for a reduction in price with a move toward market price by the year 2000. The new contract provides an eight-year extension of the term and grants Amax Coal operating flexibility which resulted in a new mine plan and will assist in cost reduction efforts. Although reserves increased 20 million tons due to the revised mine plan, a pretax write-down of the carrying value of the Wabash mine's assets of $310 million was recorded in the third quarter.

Additionally, the coal market outlook for Mountain Coals operations in eastern Kentucky reflects weak demand and lower prices, ongoing transportation and coal quality disadvantages compared to other regions of Central Appalachia, and the expiration of long-term contracts in 1995 and 1998. Over the last few years, regional spot prices have declined significantly, which prompted adoption of a revised mine plan to reduce costs. Under the revised mine plan, certain operations eventually will be closed and changes in mining methods will be made at other operations. Coal reserves were reduced by approximately 114 million tons and, considering the expected continuation of current weak market conditions, the Company wrote down its assets in Kentucky in the third quarter. Coupled with certain accruals required as a result of the revised mine plan and certain operational changes at other coal operations, a pretax charge of $135 million was recorded. The Wabash and Kentucky write-downs were calculated in accordance with SFAS No. 121.

In the third quarter of 1994, a $13 million pretax charge for workforce reduction programs was recorded for two copper mines. Additionally, a $10 million pretax write-down was recorded for the anticipated closure of the Orchard Valley coal mine.

DIXIE YARNS, INC. (DEC)

(Dollars in thousands)	1995	1994	1993
Net Sales	$670,842	$682,859	$591,408
Cost of sales	572,762	595,732	510,379
Gross Profit	98,080	87,127	81,029
Selling, general and administrative expenses	82,624	82,293	61,876
Asset valuation losses	63,425	10,397	—
Life insurance gain	—	(12,835)	—
Other (income) expense—net	1,112	5,469	(2,640)
Income (Loss) Before Interest and Taxes	(49,081)	1,803	21,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

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

Impairment of Assets: In 1995, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets. There was no material effect on the financial statements from the adoption because the Company's prior impairment recognition practice was consistent with the major provisions of the Statement. Under provisions of the Statement, impairment losses are recognized when expected future cash flows are less than the assets' carrying value. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of property, plant and equipment and intangibles in relation to the operating performance and future undiscounted cash flows of the underlying business. The Company adjusts the net book value of the underlying assets if the sum of expected future cash flows is less than book value.

Note K. Asset Valuation Losses

Asset valuation losses of $63,425 ($51,058, after taxes) were recorded in 1995 and are described below. The losses relating to property, plant and equipment and related goodwill were $60,033, inventory losses on product lines to be discontinued were $2,500, and expenses associated with facility consolidations were $892.

In February, 1996, the Company reached an agreement in principle to sell the operating assets of its Threads USA division to American & Efird, Inc., a subsidiary of Ruddick Corporation. The transaction is subject to regulatory approval, the results of certain due diligence, and the execution of a definitive purchase agreement. Based on the proposed terms of the sale, the Company recorded a pre-tax charge in the fourth quarter of 1995 amounting to $41,480 (including $23,421 related to intangibles) to adjust the carrying value of Threads' assets to their estimated fair market value.

Additional 1995 asset valuation losses in the textile segment of $17,988 relate to a plant sale and equipment write-downs and expenses associated with the consolidation of facilities. During 1995, events and circumstances indicated that certain other assets of the Company's textile business might also be impaired. However, the Company's estimate of undiscounted cash flows indicated that such carrying amounts were expected to be recovered. Nonetheless, it is possible that the estimate of undiscounted cash flows may change in the future resulting in the need to adjust the carrying value of those assets.

The 1995 floorcovering segment results included asset valuation losses of $3,957 primarily related to equipment and inventories of a product line to be discontinued.

The carrying value of assets held for sale in the Company's Thread business is $22,090 and is classified as "Assets held for sale" in the current asset section of the balance sheet as of December 30, 1995. Other properties held for sale have a carrying value of $4,396 and are

classified in "Other Assets". Operating losses for the Threads business of $957, excluding the adjustments described above, were included in the Company's textile segment results for 1995.

The asset valuation losses in 1994 of $10,397 ($6,446, after taxes) related to idle facilities and machinery and equipment permanently taken out of service during the year.

OAK INDUSTRIES INC. (DEC)

(Dollars in thousands)	1995	1994	1993
Net sales	$276,580	$249,004	$219,562
Cost of sales	(167,696)	(155,638)	(144,706)
Gross profit	108,884	93,366	74,856
Selling, general and administrative expenses	(52,836)	(47,019)	(43,198)
Purchased in-process research and development	(80,872)	—	—
Operating income (loss)	(24,824)	46,347	31,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Acquisitions

Lasertron

On September 6, 1995, the Company acquired all of the common stock of Lasertron, Inc. ("Lasertron"), a Bedford, Massachusetts manufacturer of fiber optic components for the telecommunications and CATV industries for approximately $108,238,000 cash, including transaction expenses. Lasertron had cash of $8,219,000 at the time of the acquisition. In addition, the Company assumed all of the outstanding and unexercised stock options under Lasertron's existing stock option plans (see Note 7). Upon exercise of such options, option holders shall receive shares of the Company's common stock, adjusted to take into account the relative share prices of the Company and Lasertron at the acquisition date. The Company has recorded a liability of approximately $6,150,000 related to this obligation.

The acquisition was accounted for as a purchase and, accordingly, operating results of this business subsequent to the date of acquisition were included in the Company's consolidated financial statements. The excess purchase price over fair value of the net tangible assets acquired was $86,705,000 of which $80,872,000 was allocated to purchased in-process research and development and $5,833,000 was allocated to goodwill and other intangible assets. The purchased in-process research and development was charged to operations upon acquisition, and the goodwill and other intangible assets are being amortized over 3 to 10 years.

RYMER FOODS INC. (OCT)

(In thousands)	1995	1994	1993
Net sales	$79,920	$106,252	$99,644
Cost of sales	76,048	91,952	87,156
Gross profit	3,872	14,300	12,488
Selling, general and administrative expenses	9,042	9,617	10,338
Restructuring charge	761	—	2,020
Goodwill writedown	20,377	—	20,828
Operating income (loss)	(26,308)	4,683	(20,698)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

In October of 1995, the Company recorded a goodwill writedown of $20.4 million. This writedown eliminates all remaining goodwill of the Company. The asset of goodwill was determined to have been impaired because of the current financial condition of the Company and the Company's inability to generate future operating income without substantial sales volume increases which are uncertain. Moreover, anticipated future cash flows of the Company indicate that the recoverability of the asset is not reasonably assured.

Prior to October, goodwill was amortized using the straight-line method over twenty years. In connection with the financial restructuring completed in 1993, goodwill was adjusted to its estimated fair value at that time of approximately $29.1 million which resulted in a writedown of $20.8 million of goodwill.

The Company is required to analyze the value of its recorded intangible assets on an ongoing basis to determine that the recorded amounts are reasonable and are not impaired. The Company's management considers the Company's financial condition and expected future operating income in determining if goodwill is impaired at each balance sheet date. Upon determination that goodwill was impaired at October 28, 1995, the amount of the impairment was calculated by determining that portion of the goodwill which would not be expected to be recovered against operating income during the remaining amortization period.

WOOLWORTH CORPORATION (JAN)

(In millions)	1996	1995	1994
Sales	$8,224	$8,238	$9,558
Cost of sales	5,735	5,626	6,747
Selling, general and administrative expenses	2,166	2,201	2,615
Depreciation and amortization	239	233	257
Interest expense	119	107	79
Other income	(43)	(55)	(68)
Impairment of long-lived assets	241	—	—
Provision for disposition of Woolco	—	30	168
Repositioning charge	—	—	558
	8,457	8,142	10,356
Income (loss) before income taxes	(233)	96	(798)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Recoverability of Long-Lived Assets
An impairment loss is recognized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Beginning in 1995 with the adoption of Statement of Financial Accounting Standards No. 121, assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company has identified this lowest level to be principally individual stores. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. The Company estimates fair value based on the best information available making whatever estimates, judgments and projections are considered necessary.

2. Impairment of Long-Lived Assets

The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and recorded a non-cash pre-tax charge of $241 million ($165 million after-tax). Of the total impairment loss, $209 million represents impairment of long-lived assets such as properties, store fixtures and leasehold improvements, $24 million relates to goodwill and $8 million pertains to intangibles. SFAS No. 121 stipulates that when evaluating and measuring impairment, assets shall be grouped at the lowest level for which there are identifiable, largely independent cash flows. The charge resulted from the Company grouping assets at a lower level than under its previous accounting policy regarding asset impairment. Factors leading to impairment were a combination of historical losses, anticipated future losses and inadequate cash flows.

YORK INTERNATIONAL CORPORATION (DEC)

(In thousands)	1995	1994	1993
Net sales	$2,929,948	$2,421,864	$2,031,949
Cost of goods sold	2,300,569	1,913,204	1,593,117
Gross profit	629,379	508,660	438,832
Selling, general and administrative expenses	393,852	323,603	276,615
Income from operations before purchase accounting amortization and impairment loss on long-lived assets	235,527	185,057	162,217
Purchase accounting amortization	12,724	13,090	13,090
Impairment loss on long-lived assets	244,473	—	—
Income (loss) from operations	(21,670)	171,967	149,127

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Impairment Loss on Long-Lived Assets

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" as of October 1, 1995. In connection therewith, for long-lived assets as to which actual operating cash results or forecasted cash flows indicate that the recoverability of the carrying amount of such assets may be impaired, the Company compared estimated expected future cash flows (undiscounted and without interest charges) identified with each long-lived asset or group thereof, as appropriate, to the carrying amount of such asset or group of assets. For purposes of such comparison, portions of unallocated excess of cost over net assets acquired were attributed to related long-lived assets and identifiable intangible assets, based upon the relative fair values of such assets at acquisition.

The Company recognized an impairment loss of $244.5 million in 1995 for those long-lived assets or groups of assets where the sum of such estimated expected future cash flows (undiscounted and without interest) is less than the carrying amount of such assets or groups of assets, including attributed portions of unallocated excess cost over net assets acquired. SFAS 121 requires analysis of each item on an individual asset by asset basis, where applicable, versus the analysis of the aggregate asset value and aggregate cash flows previously used. The amount of the impairment loss is the excess of the carrying amount of the impaired asset over the fair value of the asset. Generally, fair value represents the Company's expected future cash flows from the use of the asset or group of assets, discounted at a rate commensurate with the risks involved.

Intangible Asset Amortization

AMERICAN BRANDS, INC. (DEC)

(In millions)	1995	1994	1993
Net sales	$11,367.1	$13,146.5	$12,630.5
Cost of products sold	3,109.9	3,765.1	3,587.6
Excise taxes on products sold	5,462.2	5,656.8	5,413.9
	8,572.1	9,421.9	9,001.5
Gross profit	2,795.0	3,724.6	3,629.0
Advertising, selling and administrative expenses	1,589.1	2,315.9	2,315.2
Amortization of intangibles	95.1	96.3	92.4
Restructuring charges	17.8	—	40.8
	1,702.0	2,412.2	2,448.4
Operating income	1,093.0	1,312.4	1,180.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Intangibles Resulting from Business Acquisitions
Intangibles resulting from business acquisitions, comprising cost in excess of net assets of businesses acquired, and brands and trademarks, are being amortized on a straight-line basis over 40 years, except for intangibles acquired prior to 1971, which are not being amortized because they are considered to have a continuing value over an indefinite period. The Company periodically evaluates the recoverability of intangibles resulting from business acquisitions and measures the amount of impairment, if any, by assessing current and future levels of income and cash flows as well as other factors, such as business trends and prospects and market and economic conditions.

MINNTECH CORPORATION (MAR)

	1995	1994	1993
Revenues			
Net sales—products	$55,882,512	$47,487,981	$44,016,645
Contract revenues	300,000	300,000	300,000
Total revenues	56,182,512	47,787,981	44,316,645
Operating Costs and Expenses			
Cost of product sales	31,774,240	26,620,243	24,799,821
Research and development	3,133,075	2,892,514	2,404,838
Selling, general and administrative	11,939,902	10,053,196	9,552,534
Amortization of intangible assets	358,068	197,578	141,473
Total operating costs and expenses	47,205,285	39,763,531	36,898,666
Earnings from Operations	8,977,227	8,024,450	7,417,979

Foreign Currency Transactions

HERMAN MILLER, INC. (MAY)

(In thousands)	1995	1994	1993
Net sales	$1,083,050	$953,200	$855,673
Cost of sales	704,781	616,062	557,172
Gross Margin	378,269	337,138	298,501
Operating Expenses:			
Selling, general, and administrative	303,621	245,189	230,219
Design and research	33,682	30,151	24,513
Restructuring charges	31,900	—	—
Total Operating Expenses	369,203	275,340	254,732
Operating Income	9,066	61,798	43,769
Other Expenses (Income):			
Interest expense	6,299	1,828	2,089
Interest income	(6,154)	(3,278)	(3,041)
Loss (gain) on foreign exchange	3,067	(1,464)	(1,130)
Other—net	1,815	1,239	3,497
Net Other Expenses (Income)	5,027	(1,675)	1,415
Income Before Income Taxes	4,039	63,473	42,354

WALBRO CORPORATION (DEC)

(In thousands)	1995	1994	1993
Net sales	$459,272	$325,205	$273,463
Costs and Expenses:			
Cost of sales	377,755	261,501	216,804
Selling and administrative expenses	57,495	39,318	33,043
Reorganization and restructuring charges	—	—	1,760
Operating income	24,022	24,386	21,856
Other Expense (Income):			
Interest expense, net of capitalized interest of $518,000 in 1995	12,071	3,862	2,594
Interest income	(960)	(91)	(35)
Foreign currency exchange loss	1,483	2,602	1,495
Other	(255)	111	572
Income Before Provision for Income Taxes, Minority Interest, Equity in (income) Loss of Joint Ventures and Cumulative Effect of Accounting Change	11,683	17,902	17,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation:
The assets and liabilities of the Company's foreign operations are generally translated into U.S. dollars at current exchange rates, and revenues and expenses are translated at average exchange rates for the year. Resulting translation adjustments are reflected as a separate component of stockholders' equity.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions which operate as a hedge of an identifiable foreign currency commitment or as a hedge of a foreign currency investment position, are included in the results of operations as incurred.

Minority Interest

CHAMPION INTERNATIONAL CORPORATION (DEC)

(In thousands)	1995	1994	1993
Net sales	$6,972,038	$5,318,192	$5,068,833
Cost of products sold	5,156,423	4,752,926	4,709,757
Selling, general and administrative expenses	386,125	299,266	292,684
Income from operations	1,429,490	266,000	66,392
Interest and debt expense	226,016	235,086	224,658
Other (income) expense—net (Note 11)	(33,089)	(57,342)	7,410
Income (Loss) before Income Taxes, Extraordinary Item and Cumulative Effect of Accounting Changes	1,236,563	88,256	(165,676)

NOTES TO FINANCIAL STATEMENTS

Note 11. Other (Income) Expense—Net

(In thousands of dollars) Years Ended December 31	1995	1994	1993
Interest income	$(37,999)	$(31,107)	$(30,135)
Foreign currency losses—net	5,902	10,725	24,717
Minority interest in income of subsidiaries	34,285	18,243	7,288
Equity in net income of affiliates	(337)	(337)	(463)
Royalty, rental and commission income	(11,302)	(13,031)	(8,276)
Net gain on disposal of fixed assets, timberlands and investments (a)	(46,536)	(14,151)	(9,973)
Miscellaneous—net (b)	22,898	(27,684)	24,252
	$(33,089)	$(57,342)	$7,410

(a) 1995 included a gain of $89 million from the sale of certain operations in Canada and charges of $68 million primarily for the writedown of certain U.S. paper and wood products assets. 1994 included a gain of $16 million from the sale of the company's interest in a Swedish linerboard mill.

(b) 1994 included income of $19 million from the recognition of a refund due on countervailing duties on lumber exports from Canada into the United States in prior years. The refund was received in 1995.

Environmental Cleanup

ASARCO INCORPORATED (DEC)

(In thousands)	1995	1994	1993
Sales of products and services	$3,197,753	$2,031,846	$1,736,358
Operating costs and expenses:			
Cost of products and services	2,330,268	1,780,332	1,637,266
Selling, administrative and other	130,871	79,136	88,249
Depreciation and depletion	118,827	83,097	80,641
Research and exploration	25,881	19,775	20,871
Provision for asset impairments and plant closures	45,564	—	13,156
Provisions for environmental matters	59,200	51,205	6,241
Total operating costs and expenses	2,710,611	2,013,545	1,846,424
Operating income (loss)	487,142	18,301	(110,066)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Contingencies and Litigation

The Company and certain of its subsidiaries have received notices from the United States Environmental Protection Agency (EPA) that they and in most cases numerous other parties are potentially responsible to remediate alleged hazardous substance releases at certain sites under the Comprehensive Environment Response, Compensation and Liability Act of 1980 (CERCLA or Superfund). In addition, the Company and certain of its subsidiaries are defendants in lawsuits brought under CERCLA or state laws which seek substantial damages and remediation. Remedial action is being undertaken by the Company at some of the sites.

In connection with the sites referred to above, as well as at other closed plants and sites where the Company is working with the EPA and state agencies to resolve environmental issues, the Company has made reasonable estimates, where possible, of the extent and cost of necessary remedial action and damages. As a result of feasibility studies, public hearings, engineering studies and discussions with the EPA and similar state agencies, for sites where it is probable that liability has been incurred and the amount of cost could be reasonably estimated, the Company recorded charges to earnings in 1995 of $59.2 million and in 1994 of $51.2 million. In addition, the Company recorded a charge to earnings of $10.7 million related to legal and other costs related to the termination of lead refining at its Omaha, Nebraska plant.

Future environmental related expenditures cannot be reliably determined in many circumstances due to the early stages of investigation, the uncertainties relating to specific remediation methods and costs, the possible participation of other potentially responsible parties and changing environmental laws and interpretations. It is the opinion of management that the outcome of the legal proceedings and environmental contingencies mentioned, and other miscellaneous litigation and proceedings now pending, will not materially adversely affect the financial position of Asarco and its consolidated subsidiaries. However, it is possible that litigation and environmental contingencies could have a material effect on quarterly or annual operating results, when they are resolved in future periods. This opinion is based on considerations including experience related to previous court judgments and settlements and remediation costs and terms. The financial viability of other potentially responsible parties has been considered when relevant and no credit has been assumed for any potential insurance recoveries when the availability of insurance has not been determined.

Litigation Settlement

STRUCTURAL DYNAMICS RESEARCH CORPORATION (DEC)

(In thousands)	1995	1994	1993
Revenue:			
Software licenses	$117,573	$103,317	$86,754
Software maintenance and services	86,511	64,230	60,851
	204,084	167,547	147,605
Cost of revenue	63,073	48,785	46,937
Gross profit	141,011	118,762	100,668
Operating expenses:			
Selling and marketing	87,049	89,628	80,906
Research and development	20,496	20,715	17,526
General and administrative	11,263	10,379	9,455
Total operating expenses	118,808	120,722	107,887
Operating income (loss)	22,203	(1,960)	(7,219)
Equity in losses of affiliates	(951)	(5,329)	(614)
Litigation settlement	(24,300)	—	—
Other income, net	1,131	2,121	477
Loss before income taxes and cumulative effect of accounting change	(1,917)	(5,168)	(7,356)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands)

10 (In Part): Commitments and Contingencies

Except for the following matters, SDRC is not a party to any litigation other than ordinary routine litigation incidental to its business. Beginning in September 1994 a total of 12 class action lawsuits alleging various violations of the federal securities laws and two derivative lawsuits alleging breaches of Ohio corporate law were filed against SDRC following SDRC's public disclosure of certain accounting irregularities. All of the complaints sought unspecified damages. The class action cases were consolidated into one case (the "Class Action Case") filed in the United States District Court, Southern District of Ohio. Subsequently, the two derivative cases were consolidated into one case (the "Derivative Case") filed in the United States District Court, Southern District of Ohio.

The Class Action Case represents a direct claim against SDRC by certain named plaintiffs acting on behalf of a class of plaintiffs consisting of certain purchasers of SDRC's common stock between February 3, 1992 and September 14, 1994. In December 1995, SDRC and plaintiffs' counsel in the Class Action Case entered into a Memorandum of Understanding setting forth the terms of a proposed settlement of this case. Pursuant to the proposed settlement, SDRC will establish a settlement fund of $27,600 consisting of $17,600 cash and $10,000 in the form of shares of SDRC's common stock (to be valued based on market prices at the time of distribution). The anticipated cost of the settlement, net of estimated insurance proceeds, was recorded as a 1995 expense. The settlement is subject to final approval of the District Court which has not yet been obtained.

Change Of Control Charges

ALLIANT TECHSYSTEMS INC. (MAR)

(Dollars in thousands)	1995	1994	1993
Sales	$789,062	$775,329	$1,005,291
Cost of sales	681,843	651,060	838,510
Gross margin	107,219	124,269	166,781
Operating expenses:			
Research and development	15,094	15,817	17,779
Selling	40,441	36,479	51,852
General and administrative	34,032	32,177	37,721
Restructuring charges	38,000	—	119,881
Change of control charges	24,639	—	—
Litigation settlement charges	15,000	—	—
Total operating expenses	167,206	84,473	227,233
Income (loss) from operations	(59,987)	39,796	(60,452)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

16. Change of Control

In August 1994, six new directors nominated by Capstay Partners, L.P. were elected to the Company's Board of Directors, resulting in a "change of control" as defined in the Company's compensation and benefit plans and in agreements with certain employees. These change of control agreements resulted in the Company incurring an "unusual charge" totaling $24,639 in fiscal 1995. This charge consists of LSARs of $12,540, guaranteed incentive compensation of $4,188, proxy contest-related expenses of $2,132, vesting of restricted stock of $668, employment agreement benefit payments (including income tax gross-up) of $3,896, and other expenses of $1,215. Except as described in the following paragraph, no additional expenses are currently expected as a result of the "change of control."

Under the change of control provisions of certain employment agreements, benefit payments are required to be made to certain employees in the event of a significant change in the employee's job responsibilities or involuntary termination within two years of the effective date of the change of control. In the unlikely event that all employees presently covered by these agreements are terminated during the two years following the change of control, the Company estimates that severance-related payments would be approximately $10,000, excluding income tax gross-ups, outplacement costs, and payments under employee benefit plans. The agreements also provide for extended benefits to certain employees who leave voluntarily within a specified time period, but after completing one year of service from the effective date of the change of control.

In November 1994, the then President and Chief Executive Officer (CEO) of the Company retired and resigned as a member of the Company's Board of Directors. Additional benefits payable in connection with the provisions of his change of control employment agreement, including income tax gross-up and excluding LSARs and incentive plan payments received as a result of the change of control, were $3,896 and have been included in the unusual charge described above.

Business Combination Costs

PHARMACIA & UPJOHN, INC. (DEC)

(Dollar amounts in thousands)	1995	1994	1993
Operating revenue:			
Net sales	$6,949,069	$6,704,360	$6,507,487
Other revenue	145,550	118,422	53,271
Total operating revenue	7,094,619	6,822,782	6,560,758
Operating costs and expenses:			
Cost of products sold	1,980,038	1,889,854	1,822,255
Research and development	1,253,566	1,162,752	1,144,045
Marketing, administrative and other	2,616,557	2,586,635	2,596,287
Restructuring charges	103,404	19,837	268,658
Merger costs	138,193	—	—
Operating income	1,002,861	1,163,704	729,515

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in thousands)

4. Merger Costs

The company recorded merger costs of $138,193 in the fourth quarter of 1995. Included in the charges are transaction costs of $68,751 and costs to combine operations of $69,442. Transaction costs include professional and registration fees. Costs to combine operations include expenses incurred for termination of two marketing agreements that conflicted with the merged operations and other nonrecurring costs associated with planning and executing the merger of operations. Additional charges are expected to be recognized in subsequent reporting periods as the merger is implemented.

Life Insurance Expense

EATON CORPORATION (DEC)

(Millions)	1995	1994	1993
Net sales	$6,822	$6,052	$4,401
Cost and expenses:			
Cost of products sold	5,028	4,397	3,284
Selling and administrative	927	890	601
Research and development	227	213	154
Acquisition integration charge			55
	6,182	5,500	4,094
Income from operations	640	552	307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Life Insurance

The Company has 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, 1995 and 1994, the investment in the policies included in other assets (in millions) was $10, net of policy loans of $348 and $226, respectively. Net life insurance expense (in millions) of $7 in 1995, $5 in 1994 and $2 in 1993, including interest expense of $27, $15 and $4 in 1995, 1994 and 1993, respectively, was included in selling and administrative expense.

TRINOVA CORPORATION (DEC)

(In thousands)	1995	1994	1993
Net sales	$1,884,013	$1,794,695	$1,643,841
Cost of products sold	1,407,670	1,351,403	1,247,414
Manufacturing income	476,343	443,292	396,427
Selling and general administrative expenses	254,141	246,758	246,221
Engineering, research and development expenses	62,993	55,465	55,314
Special charge	—	—	26,000
Operating Income	159,209	141,069	68,892
Interest expense	(19,199)	(21,060)	(25,516)
Other expenses—net	(11,814)	(18,754)	(26,265)
Income before Income Taxes and Cumulative Effect of Accounting Change	128,196	101,255	17,111

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

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

Life Insurance: The Company's investment in corporate-owned life insurance is recorded net of policy loans. Net life insurance expense, including interest expense of $5,278 and $1,522 on policy loans in 1995 and 1994, is included in Other expenses—net in the Statement of Income.

Nonrecurring/Unusual Losses

THE BON-TON STORES, INC. (JAN)

(Dollars in thousands)	1996	1995	1994
Net Sales	$607,357	$494,908	$336,733
Other Income, Net	2,266	2,581	2,597
	609,623	497,489	339,330
Costs and Expenses:			
Costs of merchandise sold	387,947	299,914	206,542
Selling, general and administrative	204,867	162,442	108,647
Depreciation and amortization	11,895	8,465	6,593
Unusual expenses (Note 15)	5,471	—	—
Restructuring charges	5,690	—	—
Income (Loss) from Operations	(6,247)	26,668	17,548

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

14. New Chief Executive Officer

In August 1995, the Company hired Mr. Heywood Wilansky as President and Chief Executive Officer pursuant to a three year employment agreement. In addition to a base salary, bonus eligibility, and other annual benefits and perquisites, he received 250,000 restricted shares of common stock and an option to purchase 250,000 shares of common stock at $6.625 per share (the market price on issuance date). The restricted shares, which as of the date of the grant had a market value of $1,656, will vest at the rate of 33.3% per annum over three years beginning at the third anniversary of the date of employment. The market value of $1,656 is being amortized over the five-year vesting period. The options will become exercisable at the rate of 33.3% per annum over three years beginning on the first anniversary of the date of employment and expiring upon the lapse of 10 years from the date the options were granted. Both the stock options and restricted shares were issued under the 1991 Stock Option and Restricted Stock Plan (see Note 11). Should Mr. Wilansky leave the Company before vesting, these benefits will be forfeited upon departure except in certain limited circumstances. Mr. Wilansky also received a one-time signing bonus of $750.

15. Unusual Expenses

In October 1995, the Company recorded unusual expenses of $5,471, before taxes. This is presented separately as a component of income (loss) from operations in the Consolidated Statements of Operations. The charge relates to $2.2 million incurred in pre-opening costs for the three new stores opened in Rochester, New York and one store in Elmira, New York and the remainder relates to costs incurred in the hiring of the new Chief Executive Officer (see Note 14) and the cost of litigation associated with such hiring.

BRISTOL-MYERS SQUIBB COMPANY (DEC)

(Dollars in millions)	1995	1994	1993
Net Sales	$13,767	$11,984	$11,413
Expenses:			
Cost of products sold	3,637	3,122	3,029
Marketing, selling and administrative	3,670	3,166	3,098
Advertising and product promotion	1,646	1,367	1,255
Research and development	1,199	1,108	1,128
Special charge	950	750	500
Provision for restructuring	310	—	—
Other	(47)	(84)	(168)
	11,365	9,429	8,842
Earnings Before Income Taxes	2,402	2,555	2,571

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Special Charge

As described in Note 17, the company is party to a revised settlement concerning pending and future breast implant product liability claims (related to a previously discontinued business of a subsidiary) brought against it, its Medical Engineering Corporation subsidiary, and certain other subsidiaries. In the fourth quarter of 1993, the company recorded a special charge of $500 million before taxes, $310 million after taxes, or $.60 per share. The charge consisted of $1.5 billion in anticipation of its share of the then pending settlement and cost of the litigation (recorded as Product Liability), offset by $1.0 billion of expected insurance proceeds (recorded as Insurance Recoverable). Although the company is currently engaged in coverage litigation with certain of its insurers, expected insurance proceeds represent the amount of insurance which the company considers appropriate to record as recoverable at this time.

Various events occurred in 1994, including a number of claimants opting out of the settlement. Based upon preliminary analyses of the number of such opt outs and of other issues, in the fourth quarter of 1994 the company recorded a special charge to earnings of $750 million before taxes, $488 million after taxes, or $.96 per share.

In the fourth quarter of 1995, the company, with certain other defendants, entered into a revised settlement of the breast implant product liability litigation. The actual cost to the company of the breast implant litigation may be dependent upon a number of factors which will not become known for some time, including the number of class members that participate in the revised settlement, the kinds of claims approved, the dollar value thereof and the disposition of claims of non-participants. However, based on current estimates, the company has recorded a charge to earnings in respect of breast implant litigation of $950 million before taxes, $590 million after taxes, or $1.17 per share.

FOXMEYER HEALTH CORPORATION (MAR)

(In thousands)	1995	1994	1993
Net sales	$5,177,072	$5,409,379	$4,851,609
Operating costs			
Cost of goods sold	4,821,059	5,064,396	4,535,639
Selling, general and administrative expenses	272,537	277,823	251,647
Depreciation and amortization	25,875	21,987	18,860
Unusual item	28,767	233	41,000
	28,834	44,940	4,463
Other income	39,578	6,390	5,626
Operating income	68,412	51,330	10,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies and Related Matters

Unusual Item: Amounts reflected as an unusual item in the consolidated statements of operations represent the write-down of amounts due from Phar-Mor, Inc. and related legal and other costs (see Note E).

Note E. 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. FoxMeyer's records reflected that on the filing date it had receivables due from Phar-Mor of approximately $68.8 million. During 1993, the Corporation recorded a pre-tax charge to earnings of $41.0 million ($20.5 million after taxes and minority interest or $1.02 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. An additional $.2 million of associated legal costs were incurred in 1994. As a result of Phar-Mor's submission of a Plan of Reorganization and the settlement of FoxMeyer's reclamation claim at an amount less than FoxMeyer had submitted, the Corporation recorded an additional pre-tax charge to earnings of $28.8 million ($17.7 million after taxes or $1.20 per common share) to reflect the estimated value of the assets to be received by the Corporation and legal and other costs incurred or to be incurred. 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.

KELLOGG COMPANY (DEC)

(Millions)	1995	1994	1993
Net sales	$7,003.7	$6,562.0	$6,295.4
Cost of goods sold	3,177.7	2,950.7	2,989.0
Selling and administrative expense	2,566.7	2,448.7	2,237.5
Non-recurring charges	421.8	—	64.3
Operating income	837.5	1,162.6	1,004.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Non-recurring Charges

Operating income for 1995 includes total non-recurring charges of $421.8 million ($271.3 million after tax or $1.24 per share), comprised of $348.0 million related to streamlining initiatives and $73.8 million for asset impairment losses.

The streamlining initiatives primarily concerned operational workforce and capacity realignments in the U.S., Australia, and Europe, eliminating approximately 2,000 employee positions by the end of 1996 through a combination of voluntary early retirement incentives, and voluntary and involuntary severance programs. These initiatives required pre-tax cash outlays of approximately $40 million in 1995 and will require additional cash out-

lays of approximately $120 to $130 million in 1996. The company expects to realize approximately $120 million of annual pre-tax savings by 1997, with about 60% of this amount being achieved in 1996.

Associated with the 1995 streamlining efforts were additional costs incurred to redeploy manufacturing and employee resources. The charges reported included total expenses of $18 million incurred for employee retraining and relocation, consulting, and relocated production line start-up. The Company expects an additional $30 million of similar costs in 1996 which will be recorded as nonrecurring charges as incurred. These additional costs are included in the estimated cash outlay figures for 1996 stated above.

The components of the streamlining charges, as well as balances remaining at December 31, 1995, were:

	Amounts charged				
(Millions)	Cash	Non-cash	Total	Amounts utilized	Remaining balance
Employee retirement and severance benefits (a)	$183.6		$183.6	$126.1	$57.5
Asset write-offs		106.5	106.5	106.5	—
Asset removal	39.5		39.5	3.0	36.5
Other	18.4		18.4	18.4	—
	$241.5	$106.5	$348.0	$254.0	$94.0

(a) Includes approximately $100 million of pension and post-retirement health care curtailment losses and special termination benefits recognized in the current year. Refer to Notes 8 and 9.

The asset impairment losses of $73.8 million consist principally of the write-down of certain operating assets in North America and the Asia-Pacific region, and result from the evaluation of the Company's ability to recover asset costs given changes in local market conditions, sourcing of products, and other strategic factors.

Operating income for 1993 includes non-recurring charges of $64.3 million ($41.1 million after tax or $.18 per share) principally from the write-down of certain assets in Europe and North America.

MAPCO INC. (DEC)

(Dollars in millions)	1995	1994	1993
Sales and Operating Revenues	$3,310.0	$3,059.3	$2,715.3
Expenses:			
Outside purchases and operating expenses [1]	2,912.8	2,718.2	2,296.4
Selling, general and administrative	72.9	68.1	72.8
Depreciation, depletion and amortization	111.4	102.9	97.3
Interest and debt expense	58.3	53.2	46.5
Unusual items (Note 2)	40.3	—	—
Other (income) expense—net	.1	.3	(.6)
	3,195.8	2,942.7	2,512.4
Income before Minority Interest and Provision for Income Taxes	114.2	116.6	202.9

[1] Includes consumer excise taxes of $158.1 million, $157.2 million and $148.7 million in 1995, 1994 and 1993, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Unusual Items

In the 1995 fourth quarter, MAPCO received an offer, and later signed a letter of intent (see Note 16), which valued substantially all of the Coal segment's net assets. Based on the $330.5 million carrying value of the Coal segment's net assets covered by the letter of intent, an impairment loss of $30.0 million was recorded. Management believes the offer represents a reasonable estimate of the fair value of the net assets of the Coal segment. Upon completion of the transaction discussed in Note 16, the fair value of the net assets of the Coal segment could differ materially from the amounts estimated in determining the amount of the impairment.

During 1995, the Company recorded $10.3 million of charges associated with reorganizations in the Natural Gas Liquids segment and in Corporate. The primary employee groups affected are field service personnel in the Natural Gas Liquids segment. The charges are primarily related to an early retirement program which resulted in the reduction of 111 employees. Principal items included in the charge are enhanced pension benefits, postretirement benefits, severance pay and other related benefits. While the early retirement program has been substantially completed, due to the timing of the payouts, the majority of the liability remains to be paid.

THE PENN TRAFFIC COMPANY (JAN)

(All dollar amounts in thousands)	1996	1995	1994
Total Revenues	$3,536,642	$3,333,225	$3,171,600
Cost and Operating Expenses:			
Cost of sales (including buying and occupancy cost)	2,724,639	2,570,708	2,464,853
Selling and administrative expenses	670,387	606,782	559,729
Unusual item (Note 6)	65,237		6,400
Write-down of long-lived assets	46,847		
Operating Income	29,532	155,735	140,618

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Unusual Item

During Fiscal 1996, the Company recorded an unusual item (charge) of $65.2 million. The Company also recorded a tax benefit of $13.3 million in connection with this charge.

During the second quarter of Fiscal 1996, the Company decided to close 11 of its 15 remaining stand-alone general merchandise stores (Harts) in Ohio. During Fiscal 1996, Fiscal 1995 and Fiscal 1994, these 11 stores generated 1.1%, 1.8% and 2.1%, respectively, of the total revenues of the Company. The impact of these stores on the operating income of the Company was immaterial in each of the past three fiscal years. The Company is currently operating the remaining four general merchandise stores under the Company's "Plus" trade name. As a result of the decision to close the 11 Harts stores and convert the remaining four stores, during the second quarter ended July 29, 1995, the Company recorded an unusual item (charge). For the year ended February 3, 1996, the amount of this charge is $50.6 million. This charge specifically relates to the write-off of goodwill ($32.8 million), the write-off of fixed assets ($8.4 million) and store closing costs consisting principally of inventory markdowns ($9.4 million).

The unusual item also includes $14.6 million in connection with the noncash write-off of certain fixed assets which the Company determined during the second quarter that it will no longer utilize in its business ($8.0 million), costs incurred in connection with the implementation of the Company's expense reduction programs ($4.0 million), and an increase in the Company's closed store reserve ($2.6 million).

The noncash portion of the unusual item is approximately $57.5 million and the cash portion is approximately $7.7 million. All costs related to the unusual item were incurred during Fiscal 1996 with the exception of certain facility carrying costs (primarily lease payments) for stores that have been closed, inventory mark-downs and the write-down of fixed assets for the remaining four stores to be converted to the Company's "Big Bear Plus" supermarket format. The last scheduled lease payment will occur in 2001. The accrued liability relating to the unusual item was $10.5 million at February 3, 1996.

During Fiscal 1994, the Company recorded certain expenses totaling $6.4 million classified as an unusual item. This unusual item is comprised of $4.0 million related to a voluntary employee separation program at the Company's P&C division and $2.4 million related to the realignment of certain operations.

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 1995 many survey companies changed at least one actuarial assumption rate.

Examples of pension plan disclosures follow.

TABLE 3-8: ASSUMED DISCOUNT RATE

%	**1995**	**1994**	**1993**	**1992**
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	1	—
6	3	—	4	1
6.5	10	4	15	7
7	188	24	179	21
7.5	155	61	163	34
8	75	168	64	165
8.5	30	187	32	165
9	5	27	15	75
9.5	—	1	—	7
10	—	—	—	2
10.5	—	—	—	1
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	5	5	4	4
Companies Disclosing Defined Benefit Plans	**471**	**477**	**477**	**482**

TABLE 3-9: ASSUMED RATE OF COMPENSATION INCREASE

%	1995	1994	1993	1992
4.5 or less	189	118	128	28
5	158	182	167	128
5.5	49	88	80	101
6	28	42	52	147
6.5	6	10	10	28
7	3	4	3	10
7.5	—	2	1	5
8	—	—	—	2
8.5	—	—	1	3
9	—	—	—	2
9.5	—	—	—	—
10	—	—	—	—
10.5	—	—	—	—
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	38	31	35	28
Companies Disclosing Defined Benefit Plans	**471**	**477**	**477**	**482**

TABLE 3-10: EXPECTED RATE OF RETURN

%	1995	1994	1993	1992
4.5 or less	—	—	1	—
5	—	1	—	—
5.5	—	—	—	—
6	2	2	2	3
6.5	—	—	1	1
7	8	4	5	4
7.5	14	17	16	12
8	42	54	54	49
8.5	62	72	52	39
9	158	146	150	148
9.5	92	87	80	78
10	62	62	76	92
10.5	13	13	15	19
11	6	7	8	12
11.5 or greater	2	4	9	17
Not disclosed	10	8	8	8
Companies Disclosing Defined Benefit Plans	**471**	**477**	**477**	**482**

Defined Benefit Plans

CPC INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension plans

The Company and its subsidiaries have a number of defined benefit pension plans covering substantially all U.S. employees and certain groups of employees in foreign countries. Plans covering salaried employees generally provide benefits based on the employees' final salary level or on the average salary level for a specified period. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The Company's general funding policy is to contribute annually the maximum amount that can be deducted for income tax purposes. However, certain foreign countries allow income tax deductions without regard to contribution levels, and the Company's policy in those countries is to make the contribution required by the terms of the plan. Domestic plan assets consist primarily of common stock, real estate, corporate debt securities, and short-term investment funds.

Approximately $64 million (10%) of the domestic qualified plan assets are in the Company's common stock.

The components of net periodic pensions cost are as follows:

U.S. Plans

$ Millions	1995	1994	1993
Service cost (benefits earned during the period)	$ 17	$ 17	$ 13
Interest cost on projected benefit obligation	43	39	38
Actual return on plan assets	(123)	(38)	(41)
Net amortization and deferral	78	(10)	(8)
Net periodic pension cost	$ 15	$ 8	$ 2

International Plans

$ Millions	1995	1994	1993
Service cost (benefits earned during the period)	$ 17	$ 17	$ 16
Interest cost on projected benefit obligation	43	38	35
Actual return on plan assets	(30)	(19)	(26)
Net amortization and deferral	9	(2)	8
Net periodic pension cost	$ 39	$ 33	$ 33

The funded status for the Company's major pension plans based on valuations as of September 30, is as follows:

U.S. Plans

$ Millions	Assets exceed accumulated benefits 1995	1994	Accumulated benefits exceed assets 1995	1994
Actuarial present value of benefit obligation:				
Vested	$(524)	$(450)	$(30)	$(17)
Nonvested	(17)	(17)	(1)	(1)
Accumulated benefit obligation	(541)	(467)	(31)	(18)
Effect of projected future compensation levels	(81)	(77)	(13)	(19)
Projected benefit obligation	(622)	(544)	(44)	(37)
Plan assets at fair value	657	576	18	8
Plan assets in excess of (less than) projected benefit obligation	35	32	(26)	(29)
Unrecognized net loss (gain)	19	29	(1)	7
Unrecognized prior service cost	13	12	15	14
Unrecognized net transition obligation	11	12	—	—
Post September 30 contributions	1	—	—	—
Additional minimum liability	—	—	(4)	(2)
(Accrued) prepaid pension cost at December 31	$ 79	$ 85	$(16)	$(10)

International Plans

$ Millions	Assets exceed accumulated benefits 1995	1994	Accumulated benefits exceed assets 1995	1994
Actuarial present value of benefit obligation:				
Vested	$(186)	$(165)	$(371)	$(321)
Nonvested	(11)	(9)	(15)	(16)
Accumulated benefit obligation	(197)	(174)	(386)	(337)
Effect of projected future compensation levels	(23)	(35)	(39)	(38)
Projected benefit obligation	(220)	(209)	(425)	(375)
Plan assets at fair value	264	252	126	107
Plan assets in excess of (less than) projected benefit obligation	44	43	(299)	(268)
Unrecognized net loss (gain)	(37)	(43)	55	50
Unrecognized prior service cost	10	9	8	4
Unrecognized net transition obligation	(7)	1	15	17
Additional minimum liability	—	—	(42)	(40)
(Accrued) prepaid pension cost at December 31	$ 10	$ 10	$(263)	$(237)

Assumptions (reflecting averages across all plans):

U.S. Plans

	1995	1994	1993
Weighted average discount rates	6.6%	7.7%	6.5%
Rate of increase in compensation levels	5.3%	6.3%	5.0%
Long-term rate of return on plan assets	9.7%	8.6%	9.5%

International Plans

	1995	1994	1993
Weighted average discount rates	7.4%	7.5%	7.5%
Rate of increase in compensation levels	4.8%	4.9%	5.1%
Long-term rate of return on plan assets	7.9%	8.0%	7.9%

In addition, the Company sponsors defined contribution pension plans covering certain domestic and foreign employees. Contributions are determined by matching a percentage of employee contributions. Expense recognized in 1995, 1994, and 1993 was $23 million, $19 million, and $17 million, respectively.

The Company also contributes to union-sponsored, defined benefit, multi-employer pension plans. Expense recognized in 1995, 1994, and 1993 was $10 million, $4 million, and $3 million, respectively.

CHOCK FULL O'NUTS CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Pension Plans

The Company has non-contributory defined benefit pension plans covering all employees who have completed one year of service, have attained age twenty and one-half and are not covered by union-sponsored plans. The benefits are based on years of service and the employees' compensation during the last 60 months of employment. The pension plans are funded to accumulate sufficient assets to provide for accrued benefits. In addition, contributions are made to multi-employer plans which provide defined benefits to union employees.

A summary of the components of net periodic pension cost for the defined benefit plans for the three years ended July 31, 1995 and total contributions charged to pension expense for the union-sponsored plans follows (in thousands):

	1995	1994	1993
Service cost-benefits earned during the year	$1,813	$1,471	$1,058
Interest cost on projected benefit obligation	1,961	1,782	1,599
Actual return on plan assets	(1,723)	(1,654)	(1,600)
Net amortization and deferral	253	156	(4)
Net Pension Cost of Defined Benefit Plans	2,304	1,755	1,053
Union-Sponsored Plans	287	422	505
Total Pension Expense	$2,591	$2,177	$1,558

The following table sets forth the funded status and amounts recognized in the consolidated balance sheet at July 31, for the defined benefit pension plans (in thousands):

	1995	1995	1994
	Plan Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets	
Actuarial present value of benefit obligations:			
Vested benefit obligation	$(20,659)	$(2,306)	$(21,780)
Accumulated benefit obligation	$(20,973)	$(2,309)	$(22,124)
Projected benefit obligation	$(23,075)	$(2,309)	$(24,320)
Plan assets, consisting primarily of U.S. treasury notes, other U.S. agency issues, guaranteed insurance contracts and corporate obligations, at fair value	21,056	2,046	20,202
Projected benefit obligation (in excess of) plan assets	(2,019)	(263)	(4,118)
Unrecognized prior service cost	270	124	395
Unrecognized net loss	4,414	39	5,884
Unrecognized net asset at August 1, 1987; net of amortization	(593)	(65)	(745)
Adjustment required to recognize minimum liability			(3,338)
Net pension asset (liability) recognized in the consolidated balance sheet	$ 2,072	$ (165)	$ (1,922)

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.0% and 4% and 8.25% and 4%, respectively at July 31, 1995 and 1994. The expected long-term rate of return on plan assets was 8.0%, 8.5% and 8.5% in 1995, 1994 and 1993, respectively.

Provisions of FASB Statement No. 87 (the Statement) require the Company, under certain circumstances, to record a minimum pension liability relating to unfunded accumulated benefit obligations, establish an intangible asset relating thereto and reduce stockholders' equity, net of future tax benefits. During fiscal 1995, minimum pension liability recorded in prior years related to this matter was eliminated due to the current relationship of plan assets and accumulated benefit obligations.

GOULDS PUMPS, INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

9. Employee Benefit Plans

The Company has several defined pension plans covering substantially all domestic employees. Plans covering salaried exempt employees provide pension benefits based upon final average salary and years of service. Benefits to other employees are based on a fixed amount for each year of service. The Company's funding policy is to contribute annually an amount that falls within the range determined to be deductible for federal income tax purposes. Plan assets consist primarily of listed stocks and bonds.

Net pension cost includes the following components:

	1995	1994	1993
Service cost	$3,000	$3,855	$3,668
Interest cost	7,589	7,194	6,968
Actual return on plan assets	(18,567)	1,825	(11,447)
Net amortization and deferral	9,763	(9,854)	4,562
Net pension cost	$1,785	$3,020	$3,751

The following table sets forth the plans' funded status and the amounts recognized in the Company's consolidated balance sheets:

	Plans where assets exceed accumulated benefits	Plans where accumulated benefits exceed assets
December 31,	1995	1995
Actuarial present value of benefit obligations:		
Vested benefit obligation	$51,439	$45,966
Accumulated benefit obligation	$52,035	$47,115
Projected benefit obligation	$63,609	$47,457
Plan assets at fair value	60,127	39,302
Projected benefit obligation in excess of (less than) plan assets	3,482	8,155
Unrecognized net gain or (loss)	2,808	(2,227)
Unrecognized prior service cost	(589)	(7,399)
Unrecognized net asset	729	1,735
Adjustment required to recognize minimum liability	—	7,549
Accrued pension liabilities	$6,430	$7,813

In determining the actuarial present value of the projected benefit obligation, the weighted average discount rate was 7.46% and 9.0% as of December 31, 1995 and 1994, respectively; the rate of increase in future compensation levels was 4.5% and 5.0% as of December 31, 1995 and 1994, and the expected long-term rate of return on assets was 9.5% and 9.0% for 1995 and 1994, respectively.

As is required by SFAS No. 87, "Employers' Accounting for Pensions," for plans where the accumulated benefit obligation exceeds the fair value of plan assets, the Company has recognized in the accompanying consolidated balance sheets the minimum liability of the unfunded accumulated benefit obligation as a long-term liability with an offsetting intangible asset and equity adjustment, net of tax impact. As of December 31, 1995 and 1994, this minimum liability amounted to $7,549 and $2,657, respectively.

INTERNATIONAL PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Plans

The Company maintains pension plans that provide retirement benefits to substantially all employees. Employees generally are eligible to participate in the plans upon completion of one year of service and attainment of age 21.

The plans provide defined benefits based on years of credited service and either final average earnings (salaried employees), hourly job rates or specified benefit rates (hourly and union employees).

U.S. Defined Benefit Plans

The Company makes contributions that are sufficient to fully fund its actuarially determined costs, generally equal to the minimum amounts required by ERISA.

Net periodic pension income for the Company's qualified and nonqualified defined benefit plans comprised the following:

In millions	1995	1994	1993
Service cost-benefits earned during the period	$(39)	$(54)	$(43)
Interest cost on projected benefit obligation	(170)	(151)	(143)
Actual return on plan assets	477	7	291
Net amortization and deferrals	(193)	275	(18)
Net periodic pension income	$75	$77	$87

The actuarial assumptions used in determining net periodic pension income for the years presented were:

	1995	1994	1993
Discount rate	8.75%	7.25%	8.0%
Expected long-term return on plan assets	10.0%	10.0%	10.0%
Weighted average rate of increase in compensation levels	4.75%	4.0%	5.0%

The discount rates and the rates of increase in future compensation levels used to determine the projected benefit obligation at December 31, 1995 were 7.25% and 4.25%, respectively, and at December 31, 1994 were 8.75% and 4.75%, respectively.

The following table presents the funded status of the Company's U.S. pension plans and the amounts reflected in the accompanying consolidated balance sheet:

In millions at December 31	1995	1994
Actuarial present value of benefit obligations		
Vested benefits	$2,080	$1,649
Accumulated benefit obligation	$2,203	$1,777
Projected benefit obligation	$2,376	$1,909
Plan assets at fair value	2,896	2,557
Plan assets in excess of projected benefit obligation	520	648
Unrecognized net loss (gain)	170	(6)
Balance of unrecorded transition assets	(82)	(109)
Other	44	53
Prepaid pension cost	$ 652	$ 586

Plan assets are held primarily in master trust accounts and comprise the following:

In millions at December 31	1995	1994
Cash reserves	$ 45	$ 134
Fixed income securities	1,003	843
Diversified equities	1,192	943
International Paper common stock	394	392
Real estate	113	117
Other	149	128
Total plan assets	$2,896	$2,557

Non-U.S. Defined Benefit Plans

Generally, the Company's non-U.S. pension plans are funded using the projected benefit as a target, except in certain countries where funding of benefit plans is not required. Net periodic pension expense for the Company's non-U.S. pension plans was immaterial for 1995, 1994 and 1993.

The following table presents the funded status of the Company's non-U.S. pension plans and the amounts reflected in the accompanying consolidated balance sheet. Plan assets are made up principally of common stocks and fixed income securities.

In millions at December 31	1995	1994
Actuarial present value of benefit obligations		
Vested benefits	$338	$276
Accumulated benefit obligation	$365	$292
Projected benefit obligation[1]	$446	$347
Plan assets at fair value	477	338
Plan assets in excess of (less than) projected benefit obligation	31	(9)
Unrecognized net gain	(21)	(16)
Balance of unrecorded transition asset	(35)	(40)
Other	5	3
Pension liability	$ (20)	$ (62)

[1] The weighted average discount rate and the weighted average rate of compensation increase used to measure the projected benefit obligation were 6.93% (7.01% in 1994) and 4.65% (4.61% in 1994), respectively.

Other Plans

The Company sponsors several defined contribution plans to provide substantially all U.S. salaried and certain hourly employees of the Company an opportunity to accumulate personal funds for their retirement. Contributions may be made on a before-tax basis to substantially all of these plans.

As determined by the provisions of each plan, the Company matches the employees' basic voluntary contributions. Company matching contributions to the plans were approximately $38 million, $36 million and $38 million for the plan years ending in 1995, 1994 and 1993, respectively. The net assets of these plans approximated $1.6 billion as of the 1995 plan year ends.

LITTON INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Pension and Other Postretirement Benefit Plans

Pension Benefits. Most of the Company's U.S. employees are covered by contributory defined benefit plans under which employees are eligible for benefits at age 65. Generally, benefits are determined under a formula based primarily on the participant's total plan contributions. The Company's funding policy is to make annual contributions to the extent such contributions are actuarially determined and tax deductible.

The Company has a defined contribution voluntary savings plan for eligible U.S. employees. This 401(K) plan is designed to enhance the existing retirement programs of participating employees. The Company matches 50% of a certain portion of participants' contributions to the plan.

The Company's non-U.S. subsidiaries also have retirement plans for long-term employees. These plans are not considered to be significant individually or in the aggregate to the Company's consolidated financial position. The pension liabilities and their related costs are computed in accordance with the laws of the individual nations and appropriate actuarial practices.

A summary of the components of net periodic pension income (cost) for the U.S. defined benefit plans, defined contribution plans and non-U.S. pension plans for fiscal years 1995, 1994 and 1993 is as follows:

	Year Ended July 31		
(thousands of dollars)	1995	1994	993
Defined benefit plans			
Service cost-benefits earned during the period	$(26,880)	$(24,543)	$(23,996)
Interest cost on projected benefit obligation	(64,566)	(60,271)	(61,071)
Actual return on plan assets	120,009	114,769	113,479
Net amortization and deferral	(2,757)	(1,607)	(8,409)
Net periodic pension income	25,806	28,348	20,003
Defined contribution plans	(9,497)	(10,246)	(9,908)
Non-U.S. pension plans	(4,025)	(3,445)	1,150
Net pension income	$12,284	$14,657	$11,245

A reconciliation of the funded status of the U.S. defined benefit plan is as follows:

(thousands of dollars)	Year Ended July 31 1995	1994
Fair value of plan assets	$1,237,771	$1,172,785
Projected benefit obligation	(855,423)	(832,038)
Unrecognized net transition asset	(59,611)	(70,371)
Unrecognized net gain	(147,638)	(116,625)
Unrecognized prior service costs	(9,679)	(12,138)
Prepaid pension cost	$ 165,420	$ 141,613

The accumulated benefit obligation was $778.5 million at July 31, 1995, inclusive of the vested obligation of $759.0 million. At July 31, 1994, the accumulated benefit obligation was $743.1 million, inclusive of the vested benefit obligation of $719.1 million.

The primary actuarial assumptions used include:

	Year Ended July 31 1995	1994
Expected long-term rate of return	9¼%	9¼%
Weighted-average discount rate	8¼%	8¼%
Rate of increase on future compensation levels	5%	5%

The excess of plan assets over the projected benefit obligation at August 1, 1986 (when the Company adopted SFAS No. 87) and subsequent unrecognized gains and losses are fully amortized over the average remaining service period of active employees expected to receive benefits under the plans, generally 15 years. Pension assets include in Other Assets and Long-term Investments were $204.0 million and $181.1 million at July 31, 1995 and 1994, respectively.

In fiscal years 1995, 1994 and 1993, the Company incurred $7.0 million, $18.7 million and $13.5 million, respectively, in costs for special separation and supplemental early retirement benefits for certain employees in connection with workforce reductions at certain operations.

In connection with the Distribution discussed in Note B, the Company and WAI entered into an Employee Benefits Agreement which provided for, among other items, the transfer to WAI of plan assets of approximately $189 million and the assumption by WAI of a projected benefit obligation of approximately $120 million.

OLIN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
($ in millions)

Pension Plans and Retirement Benefits (In Part)

Essentially all of the company's domestic pension plans are non-contributory final-average-pay or flat-benefit plans and all domestic employees are covered. The company's funding policy is consistent with the requirements of federal laws and regulations. In 1993, the company offered to certain qualified employees an option to receive enriched pension benefits under the early retirement incentive program in connection with the restructuring charge.

Components of Net Pension Expense

	1995	1994	1993
Service cost (benefits earned during the period)	$ 23	$ 25	$ 19
Interest cost on the projected benefit obligation	73	68	71
Enriched pension benefit	—	—	7
Actual loss (return) on assets	(260)	6	(132)
Actual (loss) return deferred for later recognition	174	(89)	53
Net amortization of unrecognized transition asset, prior service cost and deferred gains and losses	(2)	(1)	(2)
Net pension expense	$ 8	$ 9	$ 16

Principal Assumptions

	1995	1994	1993
Weighted average discount rate	7.5%	8.5%	7.5%
Weighted average rate of compensation increase	4.5%	4.5%	4.5%
Long-term rate of return on assets	9.5%	9.5%	9.5%

Funded Status of the Plans

	1995	1994
Accumulated benefit obligation including vested benefits of $983 and $845	$ 985	$ 847
Plan assets at fair value, primarily equity and fixed-income securities	$1,115	$ 916
Projected benefit obligation for service rendered to date	(1,047)	(898)
Assets over projected benefit obligation	68	18
Unrecognized net transition asset	(35)	(41)
Unrecognized (gain)	(87)	(25)
Unrecognized prior service cost	28	29
Net pension liability	$ (26)	$ (19)

The company's common stock represents approximately 4% and 3% of the plan assets at December 31, 1995 and 1994, respectively.

The company's foreign subsidiaries maintain pension and other benefit plans which are consistent with statutory practices and are not significant.

The Pension Plan of Olin Corporation provides that if, within three years following a change of control of the company, any corporate action is taken or filing made in contemplation of, among other things, a plan termination or merger or other transfer of assets or liabilities of the plan, and such termination, merger or transfer thereafter takes place, plan benefits would automatically be increased for affected participants (and retired participants) to absorb any plan surplus.

PREMIER INDUSTRIAL CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Pension Plans

The Company maintains non-contributory pension plans covering substantially all of its employees. Plan benefits for most employees are based on years of service and the highest consecutive five-year average out of the last ten-year earnings prior to retirement.

(in thousands)	1995	1994	1993
Pension cost is summarized as follows:			
Service cost	$2,206	$2,185	$2,092
Interest cost on projected benefit obligation	3,680	3,436	3,104
Actual return on plan assets	(13,411)	(7,254)	(11,765)
Net amortization and deferral	2,080	(2,864)	2,904
Net pension benefit	$(5,445)	$(4,497)	$(3,665)
The funded status of the plans at May 31, was as follows:			
Actuarial present value of:			
Vested plan obligation	$(38,983)	$(35,350)	$(32,215)
Non-vested plan obligation	(1,773)	(1,736)	(1,727)
Accumulated benefit obligation	$(40,756)	$(37,086)	$(33,942)
Projected benefit obligation	$(51,831)	$(47,598)	$(44,385)
Plan assets at fair value	116,540	104,545	98,662
Plan assets in excess of projected benefit obligation	64,709	56,947	54,277
Unrecognized:			
Net gain	(38,924)	(35,580)	(36,955)
Prior service cost	1,327	1,253	1,767
Initial net asset	(12,042)	(13,119)	(14,246)
Net pension asset (included in Other Assets)	$15,070	$9,501	$4,843
Actuarial assumptions used were:			
Discount rate	7.5%	7.5%	7.5%
Rate of increase in compensation levels	5.5%	5.5%	5.5%
Expected long-term rate of return on assets	7.5%	7.5%	7.5%

The plans' assets consist primarily of listed common stocks, including $11,046,000 of the Company's common stock at May 31, 1995, and corporate and government bonds.

THIOKOL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H. Retirement Plans

The Company has noncontributory defined benefit pension plans covering most of its employees. The benefits for most employees are based on an average of the employees' highest five consecutive years' earnings during the ten years preceding retirement and on credited service. Certain supplemental unfunded plan arrangements also provide retirement benefits to specified groups of participants.

The Company's funding policy for the plans is to contribute amounts sufficient to meet the minimum funding requirement of the Employee Retirement Income Security Act of 1974, plus any additional amounts which the Company may determine to be appropriate.

The annual cost for all Company-sponsored defined benefit pension plans, exclusive of the curtailment gain in 1995, includes the following components:

(in millions)	1995	1994	1993
Service cost	$ 12.6	$ 14.8	$1 5.9
Interest cost	36.7	36.2	34.3
Actual gain on plan assets	(32.5)	(22.4)	(59.9)
Net amortization and deferral	(12.9)	(19.9)	20.7
Net pension cost	$ 3.9	$ 8.7	$ 11.0

The reconciliation of the funded status of all defined benefit pension plans at June 30 is as follows:

(in millions)	1995	1994	1993
Actuarial present value of benefits:			
Vested benefits	$397.8	$391.8	$362.1
Nonvested benefits	2.6	2.5	6.2
Accumulated benefit obligation	400.4	394.3	368.3
Effect of projected future compensation increases	83.5	85.7	94.6
Projected benefit obligation	483.9	480.0	462.9
Fair value of plan assets	518.2	494.9	487.2
Plan assets in excess of projected benefit obligation	34.3	14.9	24.3
Unrecognized net losses	40.2	47.9	29.5
Unrecognized transition obligation	(24.0)	(27.3)	(30.6)
Unrecognized prior service cost	(.8)	1.3	7.4
Pension asset	$ 49.7	$ 36.8	$ 30.6

The assumptions used in the determination of the net pension cost for all defined benefit pension plans were as follows:

	1995	1994	1993
Discount rate	8.0%	8.0%	8.0%
Rate of increase in compensation levels	5.5	5.5	5.5
Expected long-term rate of return on assets	9.0	9.0	9.0

The assets of the Company-sponsored plans are invested primarily in equities and bonds. Certain pension plans contain restrictions on the use of excess pension plan assets in the event of a change in control of the Company.

Generally pension costs charged to and recovered through U.S. Government contracts approximate amounts contributed to pension plans. Pension costs for financial statement purposes are calculated in conformity with SFAS No. 87, "Employers' Accounting for Pensions." Historically, the annual amount of pension cost recovered through U.S. Government contracts and included in sales has exceeded the amount of pension cost included in the financial statements. As a result, the Company has deferred $29.5 million of revenues to provide a better matching of revenues and expenses. This revenue will be recognized when the financial statement pension cost exceeds amounts charged to contract pension cost. The $29.5 million of deferred revenue is netted against the pension asset in other noncurrent assets in the balance sheet.

Under the provisions of SFAS No. 88, "Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," workforce reductions and benefit freezes resulted in the recognition of $6.1 million of net curtailment gains in 1995.

Defined Contribution Plans

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13 (In Part): Pension and Other Benefit Plans

The company sponsors several defined contribution plans that provide all domestic salaried employees and certain domestic hourly employees of the company an opportunity to accumulate funds for their retirement. The company matches the contributions of participating employees on the basis of the percentages specified in the respective plans. Company matching contributions to the plans, which are invested in shares of the company's common stock, were approximately $12 million in 1995, and $10 million in each of 1994 and 1993.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS
In millions.

O (In Part): Pension Plans

Defined contribution plans cover employees in some subsidiaries in the U.S. and in other countries, including Australia, France, Spain, and the United Kingdom. In addition, employees in the U.S. are eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation which is then matched by the Company. Contributions charged to income for defined contribution plans were $75 in 1995, $49 in 1994, and $50 in 1993.

THE DURIRON COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Retirement benefits

The Company sponsors several noncontributory defined benefit pension plans, covering approximately 40% of domestic employees, which provide benefits based on years of service and compensation. Retirement benefits for all other employees are provided through defined contribution pension plans and government sponsored retirement programs. All defined benefit pension plans are funded based on independent actuarial valuations to provide for current service and an amount sufficient to amortize unfunded prior service over periods not to exceed thirty years.

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The Company sponsors several defined contribution pension plans covering substantially all domestic and Canadian employees and certain other foreign employees. Employees may contribute to these plans and these contributions are matched in varying amounts by the Company. The Company may also make additional contributions to eligible employees. Defined contribution pension expense for the Company was $5,966,000, $4,236,000 and $4,972,000 for 1995, 1994 and 1993, respectively.

FANSTEEL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Retirement Plans

The Company has several defined contribution plans covering approximately 84% of its employees. Almost all of the defined contribution plans have funding provisions which, in certain situations, require Company contributions based upon formulae relating to employee gross wages, participant contributions or hours worked. Almost all of the defined contribution plans also allow for additional discretionary Company contributions based upon profitability. The costs of these plans included in continu-

ing operations for 1995, 1994 and 1993 were $869,000, $839,000 and $714,000, respectively.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (In Part): Employee Benefit Plans

Pension Plans - The Company has a number of defined benefit pension plans which cover substantially all salaried and hourly employees. Normal retirement age generally is 65, but certain plan provisions allow for earlier retirement. The Company's funding policy is consistent with the funding requirements of federal law. The pension plans provide for pension benefits, the amounts of which are calculated under formulas principally based on average earnings and length of service for salaried employees and under negotiated non-wage based formulas for hourly employees.

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The Company also sponsors a number of defined contribution pension plans. Participation in these plans is available to substantially all salaried employees and to certain groups of hourly employees. Company contributions to these plans are based on either a percentage of employee contributions or on a specified amount per hour based on the provisions of each plan. The cost of these plans was $11 million in 1995, $12 million in 1994 and $14 million in 1993. The Company funds its contribution to the salaried plan with either GenCorp common stock or cash.

UNITED FOODS, INC. (FEB)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Employee Benefit Plans

Pension Plans
The Company has a defined contribution pension plan for hourly non-clerical employees. Contributions to the plan are based upon hours worked during the plan year and participants may make voluntary contributions to the plan up to 10% of their compensation (as defined). Costs of the plan charged to operations for fiscal 1995, 1994 and 1993 amounted to approximately $445,000, $421,000, and $347,000, respectively.

The Company also provides either an unfunded management retirement compensation plan or a funded defined contribution pension plan for salary and hourly clerical employees. Company contributions to the plans are discretionary but may not exceed 15% of participants' compensation. Participants may make voluntary contributions to the plan up to 10% in the funded plan and 25% in the unfunded plan of their compensation (as defined). Costs of these plans charged to operations for fiscal 1995 and 1994 amounted to approximately $317,000 and $34,000, respectively. No costs were charged to operations for fiscal 1993.

Supplemental Retirement Plans

ALPHA INDUSTRIES, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common Stock

Long-Term Compensation Plan
On October 1, 1990, the Company adopted a Supplemental Executive Retirement Plan (SERP) for certain key executives. Benefits payable under this plan are based upon the participant's base pay at retirement reduced by proceeds from the exercise of certain stock options. Options vest over a five year period. Benefits earned under the SERP are fully vested at age 55, however, the full amount of accrued benefit will not usually begin until age 65. Compensation expense related to the plan was $68,000, $130,000, and $115,000, in fiscal 1995, 1994, and 1993, respectively. Total benefits accrued under these plans were $453,000 at April 2, 1995, $385,000 at April 3, 1994, and $255,000 at March 28, 1993.

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employee Benefit Plans

The Company has many defined benefit and defined contribution pension plans covering substantially all employees of the Company and its domestic and foreign subsidiaries. Plan benefits are generally based on years of service and employee compensation. The Company's funding policy is consistent with the funding requirement of ERISA and applicable foreign law.

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The Company also provides, through nonqualified plans, supplemental pension payments in excess of qualified plan limits imposed by Federal tax law. These plans cover officers and certain key employees and serve to restore the combined pension amount to original benefit levels. The plans are unfunded apart from the general assets of the Company. The pension benefit obligation and pension expense under these plans follow:

(in thousands)	1995	1994	1993
Pension benefit obligation	$12,143	$13,902	$11,986
Pension expense	2,404	3,599	1,679

For measurement purposes a discount rate of 7% was used together with an average wage increase of 5%.

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Employee Benefit Plans

Pension Plans: The Company has defined benefit pension plans covering substantially all U.S. employees and non-U.S. pension plans for non-U.S. employees. The plans provide benefits that are based on an employee's years of service and compensation near retirement. Assets of the U.S. plan are composed primarily of corporate equity and debt securities.

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The Company also sponsors a supplemental executive retirement plan to provide senior management with benefits in excess of normal pension benefits. At December 31, 1995 and January 1, 1995, the projected benefit obligations were $11 million and $9.7 million, respectively. Assets with a fair value of $8.3 million and $6 million, segregated in a trust, were available to meet this obligation as of December 31, 1995 and January 1, 1995, respectively. Pension expense for this plan was approximately $1.5 million in 1995 and 1994, and $1 million in 1993.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars)

Note 9 (In Part): Retirement Benefit Plans

In addition to the benefits provided under the qualified pension plan, retirement benefits associated with wages in excess of the IRS allowable wages are provided to certain employees under non-qualified plans. Prior to 1995, the net periodic cost and accrued liability associated with these non-qualified plans was not material. However, the Omnibus Budget Reconciliation Act of 1993 significantly reduced the qualified wage limit which resulted in an increase in benefits under non-qualified plans. The net periodic cost of non-qualified pension plans was $989 in 1995. The unfunded accrued pension cost totaled $4,045 at April 30, 1995.

Multiemployer Plans

ABM INDUSTRIES INCORPORATED (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit Plans

Pension Plan Under Collective Bargaining
Certain employees of the Company are covered under union-sponsored collectively bargained multiemployer defined benefit plans. Contributions for these plans were approximately $8,600,000, $10,800,000 and $10,100,000 in 1993, 1994 and 1995, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

CENTRAL SPRINKLER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands)

13 (In Part): Employee Benefit Plans

Certain of the Company's manufacturing employees are covered by a union-sponsored, collectively bargained, Multiemployer Pension Plan. The Company contributed and charged to expense $248, $210 and $122 for the years ended October 31, 1995, 1994 and 1993, respectively. These contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. At October 31, 1995, the Company had no liability for unfunded vested benefits of this plan.

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Benefit Plans

The Company also participates in several multiemployer pension plans for the benefit of its employees who are union members. Company contributions to these plans were $6.4 million for 1995, $7.6 million for 1994 and $7.1 million for 1993. The data available from administrators of the multiemployer pension plans is not sufficient to determine the accumulated benefit obligations, nor the net assets attributable to the multiemployer plans in which Company employees participate.

LEGGETT & PLATT, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in millions)

H (In Part): Employee Benefit Plans

The Company sponsors contributory and non-contributory pension and retirement plans. Substantially all employees, other than union employees covered by multiemployer plans under collective bargaining agreements, are eligible to participate in the plans. Retirement benefits under the contributory plans are based on career average earnings. Retirement benefits under the non-contributory plans are based on years of service, employees' average compensation and social security benefits. It is the Company's policy to fund actuarially determined costs as accrued.

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Contributions to union sponsored, multiemployer pension plans were $.2 in 1995, 1994 and 1993. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. As of 1995, the actuarially

computed values of vested benefits for these plans were equal to or less than the net assets of the plan. Therefore, the Company would have no withdrawal liability. However, the Company has no present intention of withdrawing from any of these plans, nor has the Company been informed that there is any intention to terminate such plans.

Net pension income, including Company sponsored defined benefit plans, multiemployer plans and other plans, was $.2, $.9 and $.7 in 1995, 1994 and 1993, respectively.

Amendment Of Plan

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Benefit Plans (In Thousands)

The company has a noncontributory defined benefit pension plan which covers substantially all U.S. employees. The company also has a supplemental retirement benefit plan, which covers certain U.S. employees. Benefits under the plans are based on an employee's regular base pay and creditable years of service, as defined in the plans. Certain of the company's foreign subsidiaries also have retirement plans covering substantially all of their employees. Benefits under these plans are generally based on either career average or final average salaries and creditable years of service, as defined in the plans. Prior service cost is amortized over the average remaining service period of employees expected to receive benefits under the plan. Funds contributed to the plans are invested primarily in common stocks, mutual funds, global bond funds and cash equivalent securities.

The components of net pension expense are as follows:

	Year Ended		
	Sept. 30, 1995	Sept. 24, 1994	Sept. 25, 1993
Service cost	$ 7,806	$ 8,608	$ 7,835
Interest on projected benefit obligation	11,504	10,506	9,380
Actual return on plan assets	(17,460)	(3,286)	(12,629)
Deferral of net actuarial gains (losses) and amortization of transition surplus and prior service cost	7,850	(6,083)	5,636
Curtailment loss, net of settlement gain	817	533	—
Net pension expense	$10,517	$10,278	$10,222

The funded status of the plan is as follows:

	Sept. 30, 1995	Sept. 24, 1994
Actuarial Present Value Of Benefit Obligations:		
Vested benefit obligation	$134,251	$116,057
Accumulated benefit obligation	$141,950	$121,602
Projected benefit obligation	$157,666	$137,777
Market value of plan assets	125,257	104,449
Excess of projected benefit obligation over plan assets	32,409	33,328
Unrecognized actuarial gain	7,769	1,370
Unrecognized prior service cost	(18,166)	(17,072)
Unrecognized transition surplus, net	7,893	9,125
Net pension liability included in current and other liabilities	$29,905	$26,751
Assumptions Used In Computing The Funded Status Of The Plans:		
Weighted average discount rate	8.00%	8.04%
Expected long-term weighted average rate of return on assets	9.57%	9.57%
Weighted average rate of increase in compensation levels	4.34%	4.49%

On October 1, 1994, the U.S. plan was amended to provide pension benefits during the first year of service for present and future employees and to eliminate the eligibility year of service. In addition, pensionable compensation was limited to $150 per year, subject to IRS indexing in future years. The net effect of these amendments was an increase of approximately $9,500, $9,800, and $10,800 in the fiscal 1995 vested benefit obligation, accumulated benefit obligation, and projected benefit obligation, respectively.

As a result of the company's restructuring and cost containment programs, pension curtailment losses of $910 and $652 were recognized in fiscal 1995 and 1994, respectively. These amounts were previously accrued as part of the fiscal 1994 and 1993 restructuring charges, respectively.

Curtailment Gains/Losses

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Costs

The Company and a number of its subsidiaries have pension plans covering substantially all employees. Benefits from the principal plan are based on the employee's compensation and years of service.

Generally, the company's practice is to fund the actuarially determined current service costs and the amounts necessary to amortize prior service obligations over peri-

ods ranging up to 30 years, but not in excess of the full funding limitation.

Funding requirements, in accordance with provisions of the Internal Revenue Code, are determined independently of expense using an expected long-term rate of return on assets of 8.67%. The company's principal plan was subject to the full funding limitation in 1995, 1994 and 1993, and the company made no contributions to that plan in any of these years. Contributions of $0.8 million in 1993 were made to defined-benefit plans of company subsidiaries. No contributions were made in 1995 and 1994.

The total pension cost or credit for all plans is presented in the table below.

Total pension (credit) cost (millions)	1995	1994	1993
U.S. defined-benefit plans:			
Net pension credit	$(26.5)	$(29.1)	$(19.2)
Early retirement incentives	28.7	—	38.0
Net curtailment gain	(1.2)	—	—
Defined contribution plans	4.2	4.3	4.4
Net pension cost of non-U.S. defined-benefit plans	8.1	8.6	6.1
Other funded and unfunded pension costs	4.1	3.0	1.8
Total pension (credit) loss	$17.4	$(13.2)	$31.1

In 1995, the company recognized a $1.6 million curtailment gain from the sale of its furniture subsidiary and a $0.4 million curtailment loss from the ceramic tile business combination.

The net credit for U.S. defined-benefit pension plans is presented in the table below.

Net credit for U.S.-defined benefit pension plans (millions)	1995	1994	1993
Assumptions:			
Discount rate	8.00%	7.00%	7.25%
Rate of increase in future compensation levels	5.25%	4.75%	4.75%
Expected long-term rate of return on assets	8.75%	8.25%	8.25%
Actual (return) loss on assets	$(406.7)	$ 93.6	$(230.1)
Less amount deferred	313.0	(182.5)	152.3
Expected return on assets	$ (93.7)	$(88.9)	$ (77.8)
Net amortization and other	(9.3)	(9.5)	(7.0)
Service cost—benefits earned during the year	16.7	17.9	17.3
Interest on the projected benefit obligation	59.8	51.4	48.3
Net pension credit	$ (26.5)	$(29.1)	$ (19.2)

The company has defined-contribution pension plans for eligible employees at certain of its U.S. subsidiaries, such as the Employee Stock Ownership Plan (ESOP) described on pages 28-29. The costs of all such plans totaled $4.2 million in 1995, $4.3 million in 1994 and $4.4 million in 1993.

The funded status of the company's U.S. defined-benefit pension plans is presented in the following table.

Funded status of U.S. defined-benefit pension plans *(millions)*	1995	1994
Assumptions:		
Discount rate	7.00%	8.00%
Compensation rate	4.25%	5.25%
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(726.7)	$(657.7)
Accumulated benefit obligation	$(802.4)	$(700.6)
Projected benefit obligation for service rendered to date	$(901.2)	$(774.8)
Plan assets at fair value	$1,446.6	$1,099.1
Plan assets in excess of projected benefit obligation	$545.4	$324.3
Unrecognized transition cost	(40.3)	(46.6)
Unrecognized prior service cost	81.8	102.8
Unrecognized net gain—experience different from assumptions	(491.8)	(285.4)
Provision for restructuring charges	(9.9)	(8.9)
Prepaid pension cost	$85.2	$86.2

The plan assets, stated at estimated fair value as of December 31, are primarily listed stocks, bonds and investments with a major insurance company.

The company has pension plans covering employees in a number of foreign countries that utilize assumptions that are consistent with, but not identical to, those of the U.S. plans.

Net cost for non-U.S. defined-benefit pension plans *(millions)*	1995	1994	1993
Actual (return) loss on assets	$(11.2)	$1.8	$(14.3)
Less amount deferred	5.9	(6.1)	8.0
Expected return on assets	$(5.3)	$(4.3)	$(6.3)
Net amortization and other	.4	.6	.5
Service cost—benefits earned during the year	4.9	5.2	5.2
Interest on the projected benefit obligation	8.1	7.1	6.7
Net pension cost	$8.1	$8.6	$6.1

The following table presents the funded status of the non-U.S. defined-benefit pension plans at December 31.

Funded status of non-U.S. defined-benefit pension plans *(millions)*	1995	1994
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(103.0)	$(87.1)
Accumulated benefit obligation	$(107.6)	$(91.5)
Projected benefit obligation for services rendered to date	$(115.8)	$(99.5)
Plan assets at fair value	71.4	58.0
Projected benefit obligation greater than plan assets	$(44.4)	$(41.5)
Unrecognized transition obligation	3.3	3.2
Unrecognized prior service cost	3.4	3.5
Unrecognized net gain—experience different from assumptions	(13.4)	(9.5)
Adjustment required to recognize minimum liability	(.4)	(.4)
Accrued pension cost	$(51.5)	$(44.7)

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12(In Part): Retirement Plans

Retirement Plans. The Company has various retirement plans which cover a significant number of its employees. The major pension plans are defined contribution plans, which provide pension benefits in return for services rendered, provide an individual account for each participant, and have terms that specify how contributions to the participant's account are to be determined rather than the amount of pension benefits the participant is to receive.

Contributions to these plans are based on pre-tax income and/or discretionary amounts determined on an annual basis. The Company's expense for the defined contribution plans totaled $94.2 million, $98.0 million and $54.6 million in 1995, 1994 and 1993, respectively. Other pension plans include defined benefit plans, which define an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. As a result of the sizable reduction in the number of employees, curtailment gains of $1.3 million and $8.9 million are reflected in the net amortization and deferral component of net periodic pension cost for 1995 and 1994, respectively. These plans are funded to operate on an actuarially sound basis. Assumed long-term rates of return on plan assets, discount rates in estimating benefit obligations and rates of compensation increases vary for the different plans according to the local economic conditions. Plan assets are primarily invested in equity and fixed income securities of entities domiciled in the country of the plan's operation. The rates used are as follows:

Percentages	1995	1994	1993
Return on plan assets:			
United States plans	8.5%	8.5%	8.5%
International plans	6.5% to 9%	7% to 9%	9%
Discount rate:			
United States plans	7% to 7.25%	8.5%	7.5%
International plans	4% to 8.5%	4% to 8.5%	4% to 8.5%
Compensation increase:			
United States plans	4%	5%	4.25%
International plans	1% to 6%	1% to 6%	1% to 6%

The net periodic pension cost for defined benefit plans is as follows:

Millions of dollars	1995	1994	1993
Service cost—benefits earned during period	$9.6	$9.5	$42.3
Interest cost on projected benefit obligation	27.5	26.6	25.7
Actual return on plan assets	(46.8)	(8.5)	(78.0)
Net amortization and deferral	12.7	(26.7)	56.3
Net periodic pension cost	$3.0	$0.9	$46.3

The reconciliation of the funded status for defined benefit plans where assets exceed accumulated benefits is as follows:

Millions of dollars	1995	1994
Actuarial present value of benefit obligations:		
Vested	$(300.3)	$(278.2)
Accumulated benefit obligation	$(309.0)	$(285.9)
Projected benefit obligation	$(345.6)	$(334.3)
Plan assets at fair value	423.7	371.4
Funded status	78.1	37.1
Unrecognized prior service cost	5.5	5.4
Unrecognized net gain	(81.3)	(57.2)
Unrecognized net transition asset	(4.5)	(4.7)
Net pension liability	$(2.2)	$(19.4)

The reconciliation of the funded status for defined benefit plans where accumulated benefits exceed assets is as follows:

Millions of dollars	1995	1994
Actuarial present value of benefit obligations:		
Vested	$(3.4)	$(2.6)
Accumulated benefit obligation	$(8.1)	$(7.5)
Projected benefit obligation	$(9.1)	$(10.1)
Plan assets at fair value	2.2	—
Funded status	(6.9)	(10.1)
Unrecognized net gain	(1.8)	(4.5)
Unrecognized net transition asset	(1.0)	(1.1)
Adjustment required to recognize minimum liability	(3.4)	—
Net pension liability	$(13.1)	$(15.7)

Changes in Actuarial Assumptions

CTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Retirement Plans: The Company has various defined benefit and defined contribution retirement plans covering a majority of its employees. The Company's policy is to annually fund the defined benefit pension plans at or above the minimum required under the Employee Retirement Income Security Act of 1974 (ERISA).

Note F(In Part): Employee Retirement Plans

Defined Benefit Plans

The Company has a number of noncontributory defined benefit pension plans (Plans) covering approximately 44% of its employees. Plans covering salaried employees provide pension benefits that are based on the employees' compensation prior to retirement. Plans covering hourly employees generally provide benefits of stated amounts for each year of service.

Net pension income for the Plans in 1995, 1994 and 1993 includes the following components:

(In thousands)	1995	1994	1993
Service cost—benefits earned during the year	$ 2,216	$ 2,374	$ 2,143
Interest cost on projected benefit obligation	5,330	4,769	4,632
Actual (return) loss on plan assets	(23,252)	2,565	(13,622)
Net amortization and deferral	10,375	(16,271)	861
Net pension income	$(5,331)	$(6,563)	$(5,986)

The following table details the funded status of the Plans at December 31, 1995, and December 31, 1994:

(In thousands)	1995	1994
Actuarial present value of benefit obligations:		
Vested benefits	$ 66,736	$ 58,224
Nonvested benefits	2,960	2,461
Accumulated benefit obligation	$ 69,696	$ 60,685
Plan assets at fair value	$134,595	$115,319
Projected benefit obligation	77,138	66,775
Plan assets in excess of the projected benefit obligation	57,457	48,544
Unrecognized prior year service cost	154	212
Unrecognized net (gain) loss	(1,935)	3,672
Unrecognized net asset	(10,937)	(13,020)
Prepaid pension expense	$ 44,739	$ 39,408

Assumptions used in determining net pension income and the funded status of U.S. defined benefit pension plans were as follows:

	1995	1994	1993
Discount rates (funded status)	7.25%	8.25%	7.25%
Rates of increase in compensation levels (salaried plan only)	5%-7%	5%-7%	5%-7%
Expected long-term rate of return on assets	9%	9%	10%

Net pension income is determined using assumptions as of the beginning of each year. Funded status is determined using assumptions as of the end of each year. Effective with the December 31, 1995, measurement date, the discount rate was reduced 100 basis points to 7.25% to reflect current market conditions. This change had no impact on 1995 pension income, but will reduce 1996 pension income by $310,000. Effective with the December 31, 1994, measurement date, the discount rate, expected long-term rate of return on assets and mortality assumptions were revised to reflect current market and demographic conditions. As a result of these changes, the December 31, 1994, projected benefit obligation decreased by $2.4 million. These changes had no effect on 1994 pension income, but reduced 1995 pension income by $1.2 million.

The majority of U.S. defined benefit pension plan assets are invested in common stock, including approximately $7,518,000 in CTS common stock, U.S. government bonds and cash and equivalents. The balance is invested in corporate bonds, a private equity fund, non-U.S. bonds and convertible issues.

Because the domestic plans are fully funded, the Company made no contributions during 1995, 1994 and 1993. Benefits paid by all Plans during 1995, 1994 and 1993 were $4,085,000, $4,175,000 and $4,289,000, respectively.

Pension coverage for employees of certain non-U.S. subsidiaries is provided through separate plans. Contributions of $237,000, $172,000 and $174,000 were made to the non-U.S. Plans in 1995, 1994 and 1993, respectively.

MARK IV INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10(In Part): Pension and Profit Sharing Plans

The company has a variety of defined benefit pension 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 company's defined benefit plans and the net asset amount included in the consolidated balance sheets at February 28, 1995 and 1994 (dollars in thousands).

	1995	1994
Actuarial present value of benefit obligations:		
Vested	$(259,400)	$(233,300)
Accumulated	$(264,500)	$(236,100)
Projected	$(273,700)	$(241,900)
Plan assets at fair value	335,400	314,300
Plan assets in excess of projected benefit obligation	61,700	72,400
Unrecognized net loss and differences in assumptions	49,100	36,400
Unrecognized prior service costs	2,700	3,100
Prepaid pension cost recognized in the consolidated balance sheets	$ 113,500	$ 111,900

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 $28,800,000 and the company's 8% subordinated debentures with a market value of $6,700,000 at February 28, 1995. The funded status of Purolator's defined benefit plans as of the acquisition date consisted of plan assets of approximately $42,500,000 and a projected benefit obligation of approximately $53,500,000.

Net pension income for the defined benefit pension plans in fiscal 1995, 1994, and 1993 includes the following components (dollars in thousands).

	1995	1994	1993
Service cost-benefits earned during the period	$ (3,600)	$ (2,900)	$ (2,700)
Interest cost on projected benefit obligation	(19,500)	(18,200)	(17,300)
Actual return on assets	4,300	32,100	36,600
Net amortization and deferral	31,300	2,500	(4,100)
Net pension income	$12,500	$13,500	$12,500

The assumptions utilized to measure net pension income and the projected benefit obligations are as follows:

	1995	1994	1993
Discount rate	8.75%	7.75%	9.00%
Expected long-term rate of return	11.50%	12.00%	12.00%
Average increase in compensation	4.00%	5.00%	5.00%

The changes in the expected long-term rate of return and the rate of compensation increase did not have a significant effect on fiscal 1995's income, nor are they expected to have a significant effect on fiscal 1996's income.

Cash Balance Program

ARMCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Pension and Other Employee Benefits

Pension Plans

Armco provides noncontributory pension benefits for most employees. Beginning January 1, 1994, the benefits for most hourly represented employees are based on a fixed dollar amount per year of service. Effective January 1, 1995, a new cash balance program was established and the pension benefits under the previous formulas were locked and frozen for most nonrepresented employees. Under the new cash balance program, future increases in earnings will not apply to prior service and certain lump sum distributions are available.

The qualified plans have been funded to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974. During 1994, contributions of $17.7 were made, of which $17.5 was an extra contribution required by a settlement with the Pension Benefit Guaranty Corporation (PBGC). Under the agreement with the PBGC, the $17.5 cannot be used to offset future minimum funding requirements until after 1999. During 1995, contributions of $54.8, which exceeded the minimum funding requirements, were made to the plans. As of December 31, 1995, funding credits of $27.0 were available to offset future minimum funding requirements.

The components of net periodic pension expense, including amounts related to divested units and assumptions used to determine such expenses, were as follows:

	1995	1994	1993
Cost of benefits earned in the period	$13.7	$19.1	$20.4
Interest cost on the projected benefit obligation	153.1	149.3	150.3
Actual loss (return) on plan assets	(354.0)	21.9	(256.9)
Net amortization and deferral	204.3	(163.7)	115.1
Net periodic pension expense	$17.1	$26.6	$28.9
Weighted average discount rate	8.50%	7.25%	8.00%
Weighted average expected long-term rate of return on assets	9.50%	8.25%	8.75%
Rate of future compensation increases	4.00%	4.00%	5.00%

Expense decreased in 1995 primarily due to the new cash balance pension provisions for most nonrepresented employees and the higher discount rate. The net periodic pension expense shown above includes $1.5 in 1994 and $3.7 in 1993, which were charged to previously established accruals for divested units.

Net curtailment and settlement losses on pensions of $5.2 and $23.8, in 1994 and 1993, respectively, mainly for reductions in the work force, were primarily recorded as special charges. Net curtailment losses in 1995 were $1.7. None of the curtailment and settlement losses were included in net periodic pension expense. Certain former Cyclops units that were identified for disposal in 1993 had hourly employees participating in multiemployer pension and welfare plans. The total expense for contributions to those programs of $1.7 in 1995, $2.4 in 1994 and $1.7 in 1993, are not included in net periodic pension expense shown above.

The following table presents the funded status of pension plans using discount rates of 7% and 8.5%, at December 31, 1995 and 1994, respectively. The assumed rate of future compensation increases was 4% in both years. Plan assets are primarily invested in U.S. and foreign equities, and debt securities issued by the U.S. government, U.S. corporations and foreign entities. The funded status of the pension plans deteriorated during 1995 as a result of the decrease in the discount rate.

1995	Plans for which Assets Exceed Accumulated Benefits	Plans for which Accumulated Benefits Exceed Assets	Total All Plans
Actuarial present value of benefit obligations:			
Vested benefits	$ 3.8	$2,015.8	$2,019.6
Nonvested benefits	0.1	54.7	54.8
Accumulated benefits	$ 3.9	$2,070.5	$2,074.4
Projected benefit obligation	$ 5.2	$2,097.5	$2,102.7
Plan assets at fair value	4.9	1,908.6	1,913.5
Unfunded projected benefit obligation	0.3	188.9	189.2
Reconciliation of funded status to recorded amounts:			
Unrecognized negative prior service	—	7.6	7.6
Unrecognized net gain (loss)	(0.8)	56.6	55.8
Unrecognized obligation	—	(40.0)	(40.0)
Amount required to recognize minimum liability	—	2.9	2.9
Accrued pension liability (benefit)	$(0.5)	$ 216.0	$ 215.5

1994			
Actuarial present value of benefit obligations:			
Vested benefits	$31.4	$1,789.4	$1,820.8
Nonvested benefits	1.3	46.1	47.4
Accumulated benefits	$32.7	$1,835.5	$1,868.2
Projected benefit obligation	$33.5	$1,857.6	$1,891.1
Plan assets at fair value	38.7	1,686.4	1,725.1
Unfunded (overfunded) projected benefit obligation	(5.2)	171.2	166.0
Reconciliation of funded status to recorded amounts:			
Unrecognized negative prior service	—	6.9	6.9
Unrecognized net gain (loss)	(0.1)	127.0	126.9
Unrecognized net asset (obligation)	1.0	(49.1)	(48.1)
Amount required to recognize minimum liability	—	4.0	4.0
Accrued pension liability (benefit)	$(4.3)	$ 260.0	$ 255.7

AVNET, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Pension and Profit Sharing Plans

During the three years ended June 30, 1995, the following amounts were charged (credited) to income under the Company's pension plan, 401(k) plan and a discretionary profit sharing plan:

	Years Ended		
(Thousands)	June 30, 1995	July 1, 1994	June 30, 1993
Pension	$(289)	$(796)	$(1,008)
401(k)	486	851	447
Profit sharing	1,396	913	695

The Company's noncontributory defined benefit pension plan and its 401(k) plan cover substantially all domestic employees, except for those at one unit covered by a profit sharing plan. The noncontributory pension plan was amended as of January 1, 1994 to provide defined benefits pursuant to a cash balance feature whereby a participant accumulates a benefit based upon a percentage of current salary, which varies with age, and interest credits. At June 30, 1995, the market value of the pension plan assets was $118,024,000 and these assets were comprised of U.S. Government securities (47%), common stocks (27%), money market funds (21%) and corporate debt obligations (5%).

In each of the last three years, the assumed interest rate and the expected return on plan assets were 8% while assumed salary increases were approximately 6% in 1993. Under the cash balance plan adopted during 1994, service costs are based solely on current year salary levels; therefore, projected salary increases are not taken into account. The pertinent calculations covering the pension credits, obligations and prepaid pension cost are summarized below:

Credits to income:

	Years Ended		
(Thousands)	June 30, 1995	July 1, 1994	June 30, 1993
Earned:			
Return on Plan assets - actual	$13,285	$2,221	$12,032
Lower (higher) than expected return - deferred	(4,570)	6,224	(4,264)
Expected return	8,715	8,445	7,768
Amortization of 7/1/85 excess assets	2,829	2,830	2,830
Amortization of prior service credits (costs)	321	110	(101)
	11,865	11,385	10,497
Less benefits:			
Present value of benefits earned during year	5,762	4,854	4,239
Interest on projected benefit obligation	5,814	5,735	5,250
	11,576	10,589	9,489
Net credit to income	$ 289	$ 796	$ 1,008

Funded status of the Plan:

(Thousands)	June 30, 1995	July 1, 1994	June 30, 1993
Projected benefit obligation:			
Vested benefits	$77,161	$73,343	$65,803
Non-vested benefits	3,120	2,894	2,402
Accumulated benefit obligation	80,281	76,237	68,205
Future salary assumption	—	—	5,253
Projected benefit obligation	80,281	76,237	73,458
Unamortized 7/1/85 excess assets	16,129	18,958	21,788
Cumulative differences in:			
Return on Plan assets	8,793	4,223	10,447
Projected benefit obligation	273	(1,666)	(895)
Unamortized prior service credits (costs)	3,577	3,898	(915)
	109,053	101,650	103,883
Less market value of Plan assets	118,024	110,332	111,769
Prepaid pension cost	$ 8,971	$ 8,682	$ 7,886

The absence of a future salary assumption amount and the large unamortized prior service credit for the years ended June 30, 1995 and July 1, 1994 are due to the adoption of the cash balance plan. Not included in the above tabulations are pension plans of certain non-U.S. subsidiaries which are not material.

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14(In Part): Employee Retirement Benefits

Retirement Plan

The Company sponsors a non-contributory, defined benefit pension plan. Effective January 1, 1996 the Company amended the plan to change the pension benefit formula to a cash balance formula from the existing benefit calculation based upon years of service and final average pay. The benefits accrued under the old formula were frozen as of December 31, 1995. Upon retirement, the participant will receive this accrued benefit payable as an annuity. In addition, the participant will receive as a lump sum (or annuity if desired) the amount credited to their cash balance account under the new formula.

Under the amended plan, beginning January 1, 1996 the Company credits each participant's account annually with an amount equal to 4% of the participant's compensation plus 4% of the participant's compensation in excess of the Social Security taxable wage base. Beginning December 31, 1996 and annually thereafter, the account balance of each active participant will be credited with 7% interest calculated on the sum of the balance as of the beginning of the plan year and 50% of the amounts credited to the account, other than interest, for the plan year. The account balance of each participant who is inactive will be credited with interest at the lesser of 7% or the 30 year Treasury interest rate.

Pension Expense

In Thousands	1996	1995	1994
Service cost of benefits earned during the year	$1,914	$2,309	$1,808
Interest on projected benefit obligation	6,621	6,430	6,141
Actual return on plan assets	(12,522)	(933)	(5,341)
Deferral of current period asset gains (losses)	7,089	(4,256)	451
Amortization of prior service cost	388	388	463
Amortization of net loss	171	1,385	345
Amortization of transition obligations	983	983	983
Total Pension Expense	$4,644	$6,306	$4,850

Actuarial Assumptions

	1996	1995
Weighted average discount rate	7.00%	8.50%
Salary progression rate	5.00%	5.00%
Expected long-term rate of return on plan assets	9.50%	9.50%

The weighted average discount rate used to measure the benefit obligation decreased from 8.50% to 7.00% from Fiscal 1995 to Fiscal 1996. The decrease in the rate increased the accumulated benefit obligation by $12,073,000 and increased the projected benefit obligation by $15,661,000. The weighted average discount rate increased from 7.00% to 8.50% from Fiscal 1994 to Fiscal 1995. The increase in the rate decreased the accumulated benefit obligation by $11,867,000 and decreased the projected benefit obligation by $16,217,000.

The following table sets forth the funded status of the plan as of the measurement date (December 31) for the respective fiscal year:

Funded Status *In Thousands*	1996	1995
Actuarial present value of benefit obligations:		
Vested benefit obligation	$83,833	$68,500
Non-vested benefit obligation	1,242	1,031
Accumulated benefit obligation	$85,075	$69,531
Projected benefit obligation for services rendered to date	$99,058	$82,097
Plan assets at fair value, primarily cash equivalents, common stock, notes and real estate	68,550	53,760
Projected Benefit Obligation in Excess of Plan Assets	$30,508	$28,337

Plan assets for 1995 include Company related assets of $575,000 which consisted of properties leased to the Company. At January 31, 1996, there are no Company related assets in the plan.

Balance Sheet Effect

SFAS No. 87 requires the Company to recognize a pension liability ($16,525,000 for 1996 and $15,771,000 for 1995) equal to the amount by which the actuarial present value of the accumulated benefit obligation $(85,075,000 for 1996 and $69,531,000 for 1995) exceeds the fair value of the retirement plan's assets ($68,550,000 for 1996 and $53,760,000 for 1995). A corresponding amount is recognized as an intangible asset to the extent of the unamortized prior service cost and unamortized transition obligation. Any excess of the pension liability above the intangible pension asset is recorded as a separate component and reduction of shareholders' equity. In 1996, this resulted in the recording of an intangible asset of $8,051,000 and a reduction to shareholders' equity of $8,244,000. In the prior year, an intangible asset of $9,422,000 and a reduction to shareholders' equity of $2,613,000 was recorded in the Company's balance sheet. The increase in the charge to shareholders' equity from $2,613,000 in Fiscal 1995 to $8,244,000 in Fiscal 1996 results primarily from the decrease in the weighted average discount rate.

A reconciliation of the plan's funded status to amounts recognized in the Company's balance sheet follows:

In Thousands	1996	1995
Projected benefit obligation in excess of plan assets	$(30,508)	$(28,337)
Unamortized transition obligation	5,897	6,880
Unrecognized net actuarial losses	22,227	15,179
Unrecognized prior service costs	2,154	2,542
Accrued pension cost	(230)	(3,736)
Amount reflected as an intangible asset*	(8,051)	(9,422)
Amount reflected as minimum pension liability adjustment**	(8,244)	(2,613)
Amount Reflected as Pension Liability***	$(16,525)	$(15,771)

* Included in other non-current assets in the balance sheet.

** Included as a component of shareholders' equity in the balance sheet.

*** Included in other long-term liabilities in the balance sheet.

Transfer of Assets

HERCULES INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

12. Pension Benefits

Hercules and its consolidated subsidiaries maintain various defined benefit pension plans covering substantially all employees. Benefits for most 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 using the Entry Age Normal method of calculation.

Net periodic pension cost includes the following components:

	1995	1994	1993
Service cost (benefits earned during the year)	$18,022	$27,938	$28,347
Interest cost on projected benefit obligation	80,343	99,671	94,866
Return on plan assets	(223,259)	3,195	(240,192)
Plan deferrals and amortization	131,542	(111,348)	130,651
Amortization of transition asset	(15,005)	(18,928)	(18,952)
Net periodic pension expense (credit)	$(8,357)	$528	$(5,280)

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.

	1995	1994
Plan assets at fair value	$1,098,310	$1,268,463
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (vested, 1995, $893,006); 1994, $1,020,673)	935,920	1,063,070
Effect of increase in compensation	122,071	117,947
Projected benefit obligation	1,057,991	1,181,017
Plan assets in excess of projected benefit obligation	40,319	87,446
Unrecognized net loss	159,749	192,572
Unrecognized prior service cost	41,504	52,391
Unrecognized transition asset	(66,883)	(109,997)
Prepaid pension expense	$174,689	$222,412

Significant assumptions used in determining pension obligations, and the related pension expense, include a weighted-average discount rate of 7.25% at December 31, 1995, and 8.6% at December 31, 1994, and an assumed rate of increase in future compensation of 4.5% at both dates. The decrease in the discount rate reflects the significant decrease in interest rates in 1995. The expected long-term rate of return on plan assets was 9% for 1995 and 1994.

The change in assumptions increased the accumulated and projected benefit obligations by approximately $98,000 and $121,500, respectively.

On March 15, 1995, Hercules transferred pension plan assets of $306,156 to an Alliant Techsystems pension plan in connection with the Aerospace divestiture. The underlying liabilities also were transferred to Alliant. The transfer of assets and liabilities resulted in curtailment and settlement losses of $16,198 and $42,024, respectively, which were reflected in the net gain on the sale of the Aerospace segment. (See Note 16). The settlement loss includes a reduction of $27,674 in the unrecognized transition asset.

TYLER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Employee Benefit Plans

A defined benefit pension plan is maintained which provides income and death benefits for certain employees of the Company and employees of Tyler Pipe. The benefits are generally based on final average salary and years of service. The Company's policy is to fund net pension cost accrued. However, the Company will not contribute an amount less than the minimum funding requirements of the Employee Retirement Income Security Act of 1974 or more than the maximum tax deductible amount.

In connection with the sale of Tyler Pipe to Union on December 1, 1995, and pursuant to the terms of the acquisition agreement among the Company, Tyler Pipe and Union, the Company froze benefit accruals for all Tyler Pipe employees and agreed to transfer the benefit obligation relating to the Tyler Pipe employees and the related assets to a new plan established by Union (the "Union Plan"). As a result, the Company recognized an estimated curtailment gain of approximately $2,700,000. The curtailment gain and the asset and obligation transfer amounts are estimates based on projected census data for 1995 and could differ from the final amounts based on actual census data which will not be available until early 1996. The curtailment gain is included in the loss on disposal of discontinued operations, and the related prepaid asset is included in the balance sheet of continuing operations.

The assets to be transferred to the Union Plan consist principally of publicly traded stocks and bonds, U.S. government securities and 251,200 shares of the Company's common stock. The Company expects to cause the assets and related obligations to be transferred to the Union Plan in the first half of 1996. The remaining assets are invested in short-term fixed income securities.

Subsequent to the asset and obligation transfer to the Union Plan, the Company expects to seek approval to terminate the defined benefit pension plan in 1996. The financial effects of this potential transaction have not yet been determined but are not expected to have a material adverse effect on the Company's financial condition.

The components of net pension cost were:

	1995	1994	1993
Service cost	$954,000	$1,162,000	$1,150,000
Interest cost	3,619,000	3,678,000	3,705,000
Actual return on plan assets	(5,665,000)	1,723,000	(5,437,000)
Net amortization and deferral	1,779,000	(6,352,000)	968,000
Net pension cost	$687,000	$211,000	$386,000

The following table sets forth the funded status of the plan and amounts recognized in the balance sheets at the respective dates, with the 1994 figures including the obligation and assets relating to Tyler Pipe employees:

	1995	1994
Actuarial present value of benefit obligation		
Vested benefits	$ 599,000	$38,597,000
Nonvested benefits	2,825,000	4,986,000
Accumulated benefit obligation	3,424,000	43,583,000
Effect of projected future compensation increases	433,000	2,512,000
Projected benefit obligation	3,857,000	46,095,000
Plan assets at fair value	5,575,000	52,930,000
Plan assets in excess of projected benefit obligation	1,718,000	6,835,000
Unrecognized net gain from past experience different from that assumed and changes in plan assumptions	(697,000)	(530,000)
Effect of change in discount rate	159,000	(5,048,000)
Prior service cost not yet recognized in net pension cost	478,000	301,000
Unrecognized net asset at date of initial application of FAS No. 87	(33,000)	(1,859,000)
Prepaid (accrued) pension cost	$1,634,000	$ (301,000)

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was approximately 7.25% in 1995 and 8.5% in 1994. The assumed rate of increase in compensation was approximately 4%. The expected long-term rate of return on assets was approximately 8%. Substantially all pension costs have been allocated to discontinued operations in 1995, 1994, and 1993.

Prior to the sale of Tyler Pipe to Union on December 1, 1995, the Company maintained a savings and investment plan primarily for the employees at Tyler Pipe and certain other employees of the Company. As a result of the sale, the Company ceased all contributions as of December 1, 1995. The Company expects to transfer all Tyler Pipe employee account balances to a new plan established by Union in the first quarter of 1996 and anticipates terminating the remaining savings and investment plan sometime in 1996 after obtaining all necessary governmental approvals. Substantially all expenses relating to the savings and investment plan are included in 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.

Of the 395 survey companies disclosing the health care cost trend rate used to measure the expected cost of postretirement benefits, 339 disclosed one rate for all employees and 56 disclosed two rates — the rate for employees under age 65 and the rate for employees age 65 and over. Table 3-11 shows the rates used by the survey companies in 1995.

Examples of postretirement benefit disclosures follow.

TABLE 3-11: HEALTH CARE COST TREND RATE-1995

%	All Employees	Employees Under Age 65	Employees Age 65 And Over
5.5 or less	10	2	4
6-6.5	16	—	5
7-7.5	29	6	13
8-8.5	52	5	15
9-9.5	59	7	10
10-10.5	78	12	3
11-11.5	49	12	5
12-12.5	23	6	1
13-13.5	13	4	—
14 or greater	10	2	—
Companies Disclosing Rate	**339**	**56**	**56**

ALLEGHENY LUDLUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Pension Plans and Other Postemployment Benefits

Other Postretirement Benefit Plans

The Company sponsors several defined benefit postretirement plans covering most salaried and hourly employees. The plans provide health care and life insurance benefits for eligible retirees. The basic health care plans are noncontributory, and the major medical options are contributory, with retiree contributions adjusted periodically. The life insurance plans are generally noncontributory. The Company funds postretirement benefit obligations for hourly employees represented by the USWA based on the available funds and amounts allowable by the Internal Revenue Code.

The following table sets forth the postretirement benefit plans' combined funded status reconciled with the amounts recognized in the balance sheet:

(In thousands of dollars) December 31, 1995	Health Care	Life Insurance	Total
Accumulated postretirement benefit obligation (APBO):			
Retirees	$186,932	$15,486	$202,418
Fully eligible active participants	61,481	3,906	65,387
Other active participants	115,027	4,561	119,588
	363,440	23,953	387,393
Less plan assets at fair value, primarily investment in limited partnership funds	45,645	—	45,645
Accumulated postretirement benefit obligations in excess of plan assets	317,795	23,953	341,748
Unrecognized net gain	(52,853)	(2,149)	(55,002)
Unrecognized prior service cost	(21,167)	(20)	(21,187)
Accrued postretirement benefit cost	$243,775	$21,784	$265,559

(In thousands of dollars) January 1, 1995	Health Care	Life Insurance	Total
Accumulated postretirement benefit obligation (APBO):			
Retirees	$159,089	$13,731	$172,820
Fully eligible active participants	44,560	3,106	47,666
Other active participants	88,613	3,686	92,299
	292,262	20,523	312,785
Less plan assets at fair value, primarily investment in limited partnership funds	31,834	—	31,834
Accumulated postretirement benefit obligations in excess of plan assets	260,428	20,523	280,951
Unrecognized net gain	4,511	295	4,806
Unrecognized prior service cost	(18,742)	121	(18,621)
Accrued postretirement benefit cost	$246,197	$20,939	$267,136

The Company's Chairman serves on the advisory board of the limited partnership funds.

The discount rate used in determining the APBO was 7.0% at December 31, 1995 and 8.0% at January 1, 1995. The expected long-term rate of return on plan assets ranged from 9% to 15% in 1995 and 15% in 1994.

Net postretirement benefit expenses included the following components:

(In thousands of dollars) 1995	Health Care	Life Insurance	Total
Service cost	$ 5,857	$ 256	$ 6,113
Interest cost	22,124	1,509	23,633
Actual return on plan assets	(419)	—	(419)
Net amortization and deferral	(1,751)	12	(1,739)
Net periodic postretirement benefit expense	$25,811	$1,777	$27,588

(In thousands of dollars) 1994	Health Care	Life Insurance	Total
Service cost	$ 6,230	$ 263	$ 6,493
Interest cost	19,390	1,498	20,888
Actual return on plan assets	(1,516)	—	(1,516)
Net amortization and deferral	47	77	124
Net periodic postretirement benefit expense	$24,151	$1,838	$25,989

(In thousands of dollars) 1993	Health Care	Life Insurance	Total
Service cost	$4,700	$ 206	$ 4,906
Interest cost	18,679	1,424	20,103
Net periodic postretirement benefit expense	$23,379	$1,630	$25,009

The annual assumed rate of increase in the per capita cost of covered benefits (the health care cost trend rate) for health care plans is 10.3% for 1996 and is assumed to decrease to 5.25% by 2002 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. If the assumed health care cost trend rates were increased by one percentage point in each year, this would increase the APBO for health care plans as of December 31, 1995 by $54,976,000 and the aggregate of service and interest cost components of net periodic postretirement benefit expense for 1995 by $4,416,000.

The actual cash payments of retiree health care and life insurance benefits totaled approximately $15,870,000 in 1995, $13,064,000 in 1994 and $9,295,000 in 1993.

BECTON DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars

Note 3 (In Part): Benefit Plans

In addition to providing pension benefits, the Company and its domestic subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's domestic employees may become eligible for these benefits upon retirement from the Company. The Company's cost of benefits for foreign retirees is minimal as health care and life insurance coverage is generally provided through government plans.

Postretirement benefit costs include the following components:

	1995	1994	1993
Service cost; benefits earned during the year	$2,108	$2,537	$9,645
Interest cost on projected benefit obligation	10,860	9.671	15,830
Amortization of gain from plan amendments	(6,499)	(6,312)	—
Postretirement benefit cost	$6,469	$5,986	$25,475

The postretirement benefit plans other than pensions are not funded. The present value of the Company's obligation included in the consolidated balance sheet at September 30, 1995 and 1994 was as follows:

	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$112,649	$103,326
Fully eligible active participants	12,452	13,136
Other active participants	26,063	24,262
Total	151,164	140,724
Unrecognized gain from plan amendments	82,056	88,368
Unrecognized actuarial loss	(11,489)	(4,545)
Accrued postretirement benefit liability	$221,731	$224,547

At September 30, 1995 and 1994, health care cost trends of 13% and 14%, respectively, pre-age 65 and 10% and 11%, respectively, post-age 65 were assumed. These rates were assumed to decrease gradually to an ultimate rate of 5.75% beginning in 2003 for pre-age 65 and 2000 for post-age 65. The effect of a 1% annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation at September 30, 1995 by $6,183 and the postretirement cost for 1995 by $464. The discount rate used to estimate the postretirement benefit cost was 8.0% and 7.25%, in 1995 and 1994, respectively. The discount rate used to estimate the accumulated postretirement benefit obligation at September 30, 1995 and 1994 was 7.5% and 8.0%, respectively. In 1994, the Company made significant modifications to its U.S. postretirement benefit plans. These plan changes, which were effective for retirements after January 1, 1995, consisted primarily of retiree contributions and an inflation cap. The accumulated postretirement benefit obligation was reduced as a result of these changes. In accordance with SFAS No. 106, this reduction in the obligation is being amortized as a component of the postretirement benefit cost.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Retirement and Other Benefit Plans

In addition to providing pension benefits, the corporation sponsors unfunded defined benefit postretirement health and life insurance plans that cover both salaried employees who had become eligible for benefits by January 1, 1995, and hourly employees. The postretirement health care plans are offered on a shared-cost basis only to employees electing early retirement. This coverage ceases when the employee reaches age 65 and becomes eligible for Medicare. The retirees' contributions are adjusted annually and the corporation intends to continue to increase retiree contributions in the future. The life insurance plans provide coverage ranging from $1,000 to $38,000 for qualifying retired employees.

The following tables set forth the plans' funded status reconciled with the amounts in the corporation's Consolidated Balance Sheet at February 3, 1996 and January 28, 1995 (in thousands):

	1995		1994	
	Health Plans	Life Insurance Plans	Health Plans	Life Insurance Plans
Accumulated postretirement benefit obligations:				
Retirees	$3,604	$5,071	$3,379	$4,850
Active participants	472	100	1,861	165
	4,076	5,171	5,240	5,015
Plan assets	—	—	—	—
Accumulated obligation in excess of plan assets	4,076	5,171	5,240	5,015
Unrecognized net gain (loss)	4,640	(211)	4,804	(23)
Accrued postretirement benefit cost	$8,716	$4,960	$10,044	$4,992

Net postretirement benefit cost for 1995, 1994, and 1993 included the following components (in thousands):

	Health Plans	Life Insurance Plans
1995		
Service cost	$ 162	$ 5
Interest cost	407	385
Net amortization cost	(878)	—
Postretirement benefit cost (income)	$(309)	$390
1994		
Service cost	$ 266	$ 15
Interest cost	443	397
Net amortization cost	(845)	7
Postretirement benefit cost (income)	$ (136)	$419
1993		
Service cost	$ 534	$ 25
Interest cost	667	387
Net amortization cost	(2,088)	—
Postretirement benefit cost (income)	$(887)	$412

In addition to the net postretirement benefit expense, the corporation recognized net curtailment gains in fiscal 1995 and 1994 of $.7 million and $.6 million, respectively, related to employee terminations due to personnel reductions as part of the corporation's restructuring, plant closures and discontinued operations. These net gains increased the restructuring, factory closure and discontinued operations reserves originally established in fiscal 1995 and 1993.

In the fourth quarter of 1993, the corporation terminated postretirement health care coverage for salaried employees who were not eligible by January 1, 1995. The effect of this change was the recognition of a pretax gain of $1.8 million.

Actuarial assumptions used were (in thousands):

	1995	1994	1993
Projected health care cost trend rate (A)	7.50%	8.75%	9.00%
Ultimate trend rate (A)	5.00%	5.75%	5.00%
Year ultimate trend rate is achieved	2001	2001	2001
Effect of a 1% point increase in the health care cost trend rate on the postretirement benefit obligation	$132	$193	$309
Effect of a 1% point increase in the health care cost trend rate on the aggregate of service and interest cost	$26	$34	$84
Discount rate	7.00%	8.75%	7.25%

(A) The health care cost trend rate assumption has a significant effect on the amounts reported. Rates listed above represent assumed increases in per capita cost of covered health care benefits for 1995, 1994 and 1993, respectively. For future years the rate was assumed to decrease gradually and remain at the ultimate trend rate thereafter.

In the fourth quarter of 1993, the corporation adopted, retroactive to January 31, 1993, the Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1993, expenses related to postemployment medical benefits were recognized on a pay-as-you-go basis. The corporation elected to immediately recognize the cumulative effect of the change in accounting for postemployment benefits of $3.4 million. On an aftertax basis, this charge was $2.2 million or $.13 per share. The effect of this change on 1993 operating results was not material.

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

H (In Part): Pension Plans & Postretirement Benefits

Postretirement Benefits Other Than Pensions

The Company has defined benefit postretirement plans that provide certain health care and life insurance benefits for retired employees. Substantially all U.S. employees become eligible for these benefits if they have met certain age and service requirements at retirement. The Company funds the plans as claims or insurance premiums are incurred.

Effective October 1, 1992, the Company adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires accrual of these benefits during the years an employee provides service. Prior to October 1, 1992, the expense for these benefits was recognized as actual claims or insurance premiums were incurred. As of October 1, 1992, the cumulative effect of adopting this change was a $43,200,000 after-tax charge. In addition to the one-time charge upon adoption, the effect of the change in accounting increased 1993 pre-tax expense by $800,000, resulting in a pre-tax net periodic postretirement benefit cost of $5,500,000.

Net periodic postretirement benefit cost was comprised of the following elements:

	Years ended September 30		
Dollars in thousands	1995	1994	1993
Current year service cost	$ 672	$ 709	$ 580
Interest accrued on postretirement benefit obligations	5,301	4,776	4,920
Net amortization	—	221	—
Net periodic postretirement benefit cost	$5,973	$5,706	$5,500

The following table sets forth the funded status of the postretirement benefit plans:

	September 30	
Dollars in thousands	1995	1994
Accumulated postretirement benefit obligations:		
Retirees	$ 58,526	$ 51,489
Fully eligible active plan participants	6,262	4,716
Other active plan participants	13,221	10,712
	78,009	66,917
Plan assets at fair value	—	—
Excess of accumulated postretirement benefit obligations over plan assets	(78,009)	(66,917)
Unrecognized net loss (gain)	10,749	(81)
Unrecognized prior service cost	95	(85)
Accrued postretirement benefit cost (included in other liabilities)	$(67,165)	$(67,083)

Health care cost trend rate assumptions have 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 September 30, 1995 and 1994 by approximately $6,700,000 and $5,400,000, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by approximately $600,000 and $500,000, respectively.

The following rates were used in the calculations:

	Years ended September 30	
	1995	1994
Discount rate	7.0%	8.3%
Assumed rate of increase in compensation	5.3%	6.9%
Assumed average annual rate of increase in health care benefits	10.5%	11.5%
Annual decrease in assumed rate of increase in health care benefits	1.0%	1.0%
Assumed ultimate trend rate	5.0%	6.3%
Assumed ultimate trend rate to be reached in year	2003	2002

CERIDIAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

G (In Part): Retirement Plans

Postretirement Benefits
Ceridian provides health care and life insurance benefits for eligible retired employees, including individuals who retired from operations of the Company that were subsequently sold or discontinued. The Company sponsors several health care plans in the U.S. for both pre- and post-age 65 retirees. Company contributions to these plans differ for various groups of retirees and future retirees. Employees hired on or after January 1, 1992, will be allowed to enroll in company-sponsored plans at retirement, but receive no company subsidy. For employees hired before January 1, 1992, and retiring in 1992 or later, the Company subsidizes pre-age 65 coverage only. The Company's subsidy is a fixed dollar contribution determined at retirement equal to 2.5% of the catastrophic plan cost for each year of service. Employees who retired prior to 1992 are subject to various cost-sharing policies depending on when retirement began and eligibility for Medicare. This is a closed group of retirees. Most retirees outside the United States are covered by governmental health care programs, and the Company's cost is not significant.

The following tables present the funded status and the components of the net periodic postretirement benefit cost for the plans. The Company does not prefund these costs.

Funded Status of Postretirement Health Care and Life Plans	December 31	
	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$45.4	$42.9
Fully eligible active participants	4.1	3.2
Other active participants	8.2	6.8
	57.7	52.9
Unrecognized net gain (loss)	(1.6)	3.7
Accrued benefits cost	$56.1	$56.6
Current portion	$ 6.0	$ 6.0
Noncurrent portion	50.1	50.6
Total	$56.1	$56.6

Net Periodic Postretirement Benefit Cost	1995	1994	1993
Service cost	$0.2	$0.3	$0.4
Interest cost	4.2	4.0	4.4
Other	(1.1)	—	—
Net periodic benefit cost	$3.3	$4.3	$4.8

The assumed health care cost trend rate used in measuring the benefit obligation is 13.0% pre-age 65 and 9% post-65 in 1995, declining at a rate of 1% per year to an ultimate rate of 5.75% in 2003 pre-age 65 and 1999 post-age 65. A one percent increase in this rate in each year would increase the benefit obligation at December 31, 1995 by $3.8 and the aggregate service and interest cost for 1995 by $0.3. The weighted average discount rates used in determining the benefit obligation at December 31, 1995 and 1994 are 7.00% and 8.25%, respectively.

CONSOLIDATED PAPERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Employee Pension and Other Benefit Plans

Other Postretirement Benefits - The company provides certain medical, dental and life insurance benefits to qualifying retirees. These benefits are paid from a trust that holds corporate and U.S. Treasury debt securities and corporate equities. In 1995, the company amended the trust to restrict the trust's assets to the payment of postretirement benefits. This amendment allowed the company to reflect these assets as plan assets in the tables below and net them against the long-term liability on the balance sheet. Prior to 1995, these assets were reflected as other long-term assets.

The postretirement benefits for both active and retired employees of Niagara of Wisconsin Paper Corporation and Lake Superior Paper Industries were continued after the acquisitions. The amounts below reflect the assumption of these additional liabilities and costs from July 1, 1995.

Postretirement benefit cost for 1995, 1994 and 1993 includes the following components:

(In thousands)	1995	1994	1993
Service cost - benefits earned during the year	$2,323	$3,945	$3,580
Interest cost on accumulated postretirement benefit obligation	8,631	9,067	9,234
Actual return on plan assets	(2,387)	—	—
Net amortization and deferral	(1,597)	(92)	—
Total postretirement benefit cost	$6,970	$12,920	$12,814

The plan's funded status at December 31, 1995, 1994 and 1993, was as follows:

(In thousands)	1995	1994	1993
Actuarial present value of benefit obligation:			
Retirees	$(71,278)	$(44,541)	$(57,117)
Fully eligible active participants	(27,227)	(15,765)	(20,265)
Other active participants	(51,400)	(43,625)	(55,792)
Accumulated postretirement benefit obligation	$(149,905)	$(103,931)	$(133,174)
Plan assets at market value	33,141	—	—
Accumulated postretirement benefit obligation in excess of plan assets	$(116,764)	$(103,931)	$(133,174)
Unrecognized net (gain) or loss	31,530	(3,120)	20,199
Unrecognized prior service cost	(20,839)	(13,331)	—
Accrued postretirement benefit cost	$(106,073)	$(120,382)	$(112,975)

The actuarial assumptions used for determining the accumulated postretirement benefit obligations as measured on December 31, 1995, 1994 and 1993, are as follows:

	1995	1994	1993
Discount rate	7.00%	8.50%	7.25%
Expected long-term rate of return on the market value of plan asset	8.50%	—	—
Health-care cost trend rates:			
Existing retirees through 2001	8.00%	8.00%	8.00%
Thereafter	5.00%	5.50%	5.50%
Future retirees through 2001	5.25%	5.25%	—
Thereafter	4.50%	4.50%	—

The decrease in the discount rate in 1995 resulted in a $20.8 million increase in the accumulated benefit obligation. A one-percentage-point increase in the assumed postretirement benefit cost trend rates would increase the accumulated postretirement benefit obligation as of December 31, 1995, by approximately $20 million, and the total of the service and interest cost components of postretirement benefit cost for the year then ended by approximately $1.6 million.

FIRST BRANDS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 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.

Following is an analysis of postretirement benefit costs for fiscal 1995 and 1994:

(In thousands)	1995	1994
Service cost	$ 386	$ 381
Interest cost	1,378	1,307
Amortization of transition obligation	770	840
Net postretirement benefit cost	2,534	2,528
Curtailment loss	1,050	—
Total postretirement benefit cost	$3,584	$2,528

As a result of the Prestone business sale, during fiscal 1995 the Company recognized a one-time postretirement curtailment loss of $1,050,000. Prior to the fiscal 1994 adoption SFAS No. 106, postretirement benefits were expensed as claims were paid and amounted to $646,000 for 1993.

The Company's accumulated postretirement benefit obligation (the transition obligation) at June 30, 1995 and 1994 is comprised of the following components:

(In thousands)	1995	1994
Accumulated postretirement benefit obligations:		
Retirees	$9,635	$8,465
Fully eligible active plan participants	1,818	2,706
Active plan participants not fully eligible	3,697	6,434
Total	15,150	17,605
Unrecognized transition obligation	(10,547)	(15,927)
Unrecognized (loss) gain	(82)	239
Accrued unfunded postretirement benefit cost	$4,521	$1,917

The discount rate used in determining the accumulated postretirement benefit obligation was 8% for fiscal 1995 and 1994. The assumed health care cost trend rate used to measure the accumulated postretirement benefit obligation was 13%, gradually declining 1% per year after fiscal year 1995 to an ultimate rate of 7% in fiscal year 2001. A 1% increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of June 30, 1995 by $633,000 and increase the service and interest cost for 1995 by $84,000.

HARCOURT GENERAL, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Postretirement Health Care Benefits

The Company provides health care benefits for retired employees which are funded as claims are incurred. Retirees and active employees hired prior to March 1, 1989 are eligible for these benefits if they meet certain service and minimum age requirements.

The actuarial present value of accumulated postretirement benefit obligations and the amounts recognized in the Company's consolidated balance sheets as of October 31 were as follows:

	1995	1994
(In millions)		
Retirees	$38.0	$49.4
Fully eligible active plan participants	7.3	6.9
Other active plan participants	7.9	14.9
Accumulated postretirement benefit obligation	53.2	71.2
Unrecognized net gain	27.7	7.9
Accrued postretirement benefit liability	$80.9	$79.1

The postretirement benefit cost for continuing operations was as follows:

Years ended October 31	1995	1994	1993
(In thousands)			
Service cost	$ .7	$1.3	$1.5
Interest cost on accumulated benefit obligation	3.8	5.0	6.3
Net amortization and deferral	(2.1)	(.1)	—
Postretirement benefit cost	$2.4	$6.2	$7.8

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 16% in 1994 and 15% in 1995, gradually declining to 5% in the year 2005. Measurement of the accumulated postretirement benefit obligation was based on an assumed 7.5% discount rate in both 1995 and 1994.

An increase of 1% in the health care cost trend would increase the accumulated postretirement benefit obligation as of October 31, 1995 by $3.3 million and the annual expense by $.3 million.

The Company paid $2.8 million in fiscal 1995, $3.7 million during fiscal 1994 and $3.0 million during fiscal 1993 for postretirement health care benefit claims.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 9. Postretirement Benefits Other Than Pensions

The Company generally provides certain health care and life insurance benefits under various plans for U.S. employees who retire after attaining early retirement eligibility, subject to the plan amendments discussed below.

During the first quarter of fiscal 1994, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", through the immediate recognition of the obligation. Under SFAS No. 106, the costs of retiree health care and life insurance benefits are accrued over relevant employee service periods. Previously, these costs were charged to expense as claims were paid. The cumulative effect of the accounting change required by this standard was a one-time pre-tax charge of $136,291 ($81,696 or $1.87 per share after taxes and minority interest). The discount rate used in determining the liability at October 31, 1994 was 7.9% and as of October 31, 1995 the discount rate was 8.0%.

The following table sets forth the plans' funded status and amounts recognized in the Company's Balance Sheet as of October 31:

(in thousands)	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$ 66,600	$ 73,424
Fully eligible active plan participants	4,200	7,722
Other active plan participants	8,000	20,416
Total	78,800	101,562
Plan assets at fair value	0	0
Accumulated postretirement benefit obligation in excess of plan assets	78,800	101,562
Unrecognized transition obligation	0	0
Unrecognized prior service credit	31,433	21,305
Unrecognized gain	7,873	12,840
Accrued postretirement benefit liability	118,106	135,707
Less: Current portion	16,501	17,097
	$101,605	$118,610

For measurement purposes, with the exception of plans sponsored by JOY, an annual rate of increase in the per capita cost of covered health care benefits in the range of 10.25% to 12% for non-medicare eligible participants was assumed for 1995 (a range of 5.8% to 10.25% was used for medicare eligible participants); these rates were assumed to decrease gradually to 5.0% for all participants by 2001 and remain at that level thereafter. For plans sponsored by JOY, the assumed medical cost trend rates for retirees who have not yet reached age 65 is a range of 7% to 13% in 1995, decreasing to a rate of

4% in 2001 and continuing at that level into the future. The health care cost trend rate assumption has an effect on the amounts reported. A one percentage point increase in the assumed health care cost trend rates each year would increase the accumulated postretirement benefit obligation as of October 31, 1995 by $3,050 and the aggregate service cost and interest cost components of the net periodic postretirement benefit cost for the year by $250. Postretirement life insurance benefits have a minimal effect on the total benefit obligation.

In 1993, the Board of Directors of the Company approved a general approach that would culminate in the elimination of all Company contributions towards postretirement health care benefits. Increases in costs paid by the Company were capped for certain plans beginning in 1994 extending through 1998 and Company contributions will be eliminated on January 1, 1999 for most employee groups, excluding JOY. For JOY, based upon existing plan terms, future eligible retirees will participate in a premium cost-sharing arrangement which is based upon age as of March 1, 1993 and position at the time of retirement. Active employees under age 45 as of March 1, 1993 and any new hires after April 1, 1993 will be required to pay 100% of the applicable premium.

The initial one-time pre-tax charge reflected all plan terms and amendments in place on November 1, 1993. Negative plan amendments made subsequent to November 1, 1993 are being amortized from the date of amendment to January 1, 1999. Amortization of negative plan amendments amounted to $9,417 and $2,995 in 1995 and 1994, respectively, which reduced reported net periodic postretirement benefit cost.

Net periodic postretirement benefit cost for fiscal year 1995 and 1994 includes the following components:

(in thousands)	1995	1994
Service cost	$ 502	$ 974
Interest cost on accumulated postretirement benefit obligation	6,475	8,808
Actual return on plan assets	0	0
Amortization of prior service cost (credit)	(9,417)	(2,995)
Net amortization and deferral	(225)	(237)
Net periodic postretirement benefit cost	$(2,665)	$(6,550)

The cost of providing these benefits to retirees was $12,414 in 1993.

INTERSTATE BAKERIES CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit Plans

In addition to providing retirement pension benefits, the Company provides health care benefits for eligible retired employees. Effective at the beginning of fiscal 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," whereby the cost of such postretirement benefits is accrued during the employees' active service period. The Company elected to immediately recognize the accumulated postretirement benefit obligation rather than amortize it over future periods. The cost of providing these benefits was previously recognized on a pay-as-you-go basis.

The cumulative effect of this accounting change as of the beginning of fiscal 1993 was to decrease net income by $14,121,000 ($.67 per share), net of a deferred income tax benefit of $8,655,000.

Under the Company's plans, all nonunion employees, with 10 years of service after age 50, are eligible for retiree health care coverage between ages 60 and 65. Grandfathered nonunion employees and certain union employees who have bargained into the Company-sponsored health care plans are generally eligible after age 55, with 10 years of service, and have only supplemental benefits after Medicare eligibility is reached. Certain of the plans require contributions by retirees and/or spouses.

The components of the net postretirement benefit expense are as follows:

	(In Thousands)		
	53 Weeks Ended June 3, 1995	52 Weeks Ended May 28, 1994	52 Weeks Ended May 29, 1993
Service cost	$ 743	$ 615	$ 441
Interest cost	2,488	2,178	1,807
Amortization of unrecognized net loss	355	422	—
Net postretirement benefit expense	$3,586	$3,215	$2,248

The status of the Company's unfunded postretirement benefit obligation is as follows:

	(In Thousands)	
	June 3, 1995	May 28, 1994
Retirees	$15,849	$15,795
Fully eligible active plan participants	8,166	8,395
Other active plan participants	8,595	8,290
Accumulated postretirement benefit obligation (APBO)	32,610	32,480
Unrecognized net loss from assumption changes	(5,871)	(7,555)
Accrued postretirement benefit	26,739	24,925
Less current portion	(2,150)	(1,800)
APBO included in other liabilities	$24,589	$23,125

In determining the APBO, the weighted average discount rate was assumed to be 8.0%, 7.0% and 8.0% for fiscal 1995, 1994 and 1993, respectively. The assumed health care cost trend rate for fiscal 1995 was 10.5%, declining gradually to 6.5% over the next 10 years and to 5.5% after 20 years. A 1.0% increase in this assumed health care cost trend rate would increase the service and interest cost components of the net postretirement benefit expense for fiscal 1995 by approximately $420,000, as well as increase the June 3, 1995 APBO by approximately $4,207,000.

The Company also participates in a number of multi-employer plans which provide postretirement health care benefits to substantially all union employees not covered by Company-administered plans. Amounts reflected as benefit cost and contributed to such plans, including amounts related to health care benefits for active employees, totaled $47,672,000, $42,613,000 and $40,287,000 in fiscal 1995, 1994 and 1993, respectively.

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefits

Postretirement Medical Benefit Plans

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for active and retired employees. A significant portion of the Company's employees may become eligible for the retiree benefits if they reach retirement age while working for the Company.

Effective January 1, 1993, the Company adopted FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", which requires accounting for the cost of retiree medical benefits other than pensions on an accrual basis. Implementation of this new standard also requires the recognition of a transition obligation based on the aggregate amount that would have been accrued in prior years had the new standard been in effect for those years. In accordance with this new standard the Company elected to recognize the entire transition obligation as of January 1, 1993 and, accordingly, recorded a non-cash charge of $46,543,000, after recognition of $28,526,000 in deferred tax benefits.

The components of net periodic postretirement medical benefit costs are as follows (thousands of dollars):

	1995	1994	1993
Service cost	$ 638	$ 846	$ 759
Interest cost	5,708	5,658	6,612
Amortization of unrecognized net gain	(215)	—	—
Net periodic cost	6,131	6,504	7,371
Curtailment loss recognized	1,089	—	—
Recognition of transition obligation	—	—	75,069
Total cost	$7,220	$6,504	$82,440

The actual postretirement medical benefits paid amounted to $4,969,000 in 1995, $5,439,000 in 1994 and $4,863,000 in 1993. See Note 6 for discussion of curtailment loss.

A summary of the status of the plans is as follows (thousands of dollars):

	December 31,	
	1995	1994
Accumulated postretirement benefit obligation (APBO):		
Retirees	$(47,719)	$(41,390)
Fully eligible active employees	(14,522)	(15,709)
Other active employees	(12,897)	(13,944)
Total	(75,138)	(71,043)
Fair value of plan assets	—	—
Funded status	(75,138)	(71,043)
Unrecognized net gain	(6,293)	(8,137)
Accrued postretirement benefit cost	$(81,431)	$(79,180)

The assumed discount rate used to measure the APBO was 7.25% at December 31, 1995 and 8.75% at December 31, 1994. The assumed future health care cost trend rate is approximately 9.5%, gradually declining to 3.25% in nine years. A one percentage point increase in the assumed health care cost trend rates for each future year would have increased the aggregate of the service and interest cost components of the net periodic postretirement benefit cost by $603,000 for 1995, $607,000 for 1994 and $716,000 for 1993, and would have increased the APBO by $6,958,000 as of December 31, 1995 and $5,924,000 as of December 31, 1994.

MOLEX INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

(6) Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Parent Company and certain of its subsidiaries provide certain health care and life insurance benefits to its employees. The majority of the Parent Company employees may become eligible for these benefits if they reach age 55, with age plus years of service equal to 70. During fiscal 1994, the Company made several modifications to the cost-sharing and benefit provisions of its postretirement plans. There are no significant postretirement health care benefit plans outside of the United States.

During fiscal 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires that the cost of retiree insurance benefits be accrued over the period in which the employees become eligible for such benefits. The Company elected to immediately recognize the effect of the change in accounting for postretirement benefits of $3.6 million ($5.8 million before tax), or four cents per share, which represents the accumulated postretirement benefit obligation (APBO) existing at July 1, 1992. The Company continues to fund benefit costs primarily as claims are paid.

Net periodic postretirement benefit cost for fiscal years 1995, 1994 and 1993 included the following components:

	1995	1994	1993
Service cost, benefits attributed to employee service during the period	$515	$492	$578
Interest cost on accumulated postretirement benefit obligation	422	405	490
Unrecognized prior service cost	(214)	(107)	—
Unrecognized net gain	(22)	—	—
Net periodic postretirement benefit cost	$701	$790	$1,068

The following table sets forth the plans' combined status as of June 30:

	1995	1994
Accumulated postretirement benefit obligation:		
Retirees and beneficiaries	$ 614	$ 675
Active employees	6,185	5,207
Total accumulated postretirement benefit obligation	6,799	5,882
Fair value of plan assets	—	—
Unfunded accumulated benefit obligation in excess of plan assets	6,799	5,882
Unrecognized prior service cost	2,121	2,335
Unrecognized net loss	(557)	(504)
Accrued postretirement benefit costs	$8,363	$7,713

The discount rate used in determining the APBO was 7.5% at June 30, 1995 and 1994, and 8.5% as of June 30, 1993. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 10.1% in 1995, declining per year to an ultimate rate of 5.0% by 2016. The health care cost trend rate assumption has a significant effect on the amount of the obligation and periodic cost reported. An increase in the assumed health care cost trend rate by 1% in each year would increase the APBO as of June 30, 1995 by $1,118 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year then ended by $204.

POSTEMPLOYMENT BENEFITS

Statement of Financial Accounting Standards No. 112 requires that entities providing postemployment benefits to their employees accrue the cost of such benefits. *SFAS No. 112* does not require that the amount of postemployment benefits be disclosed. Accordingly, many of the survey companies make little or no disclosure about postemployment benefits in the years following the year of adopting *SFAS No. 112*.

Examples of disclosures for postemployment benefits follow. Additional examples of disclosure for companies adopting *SFAS No. 112* are presented on page 43.

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Other Postretirement and Postemployment Benefits

On 1 October 1993, the company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue the cost and recognize the liability for providing certain benefits to former and inactive employees after employment but before retirement. The company previously recognized these benefits as an expense as the cost was incurred. Upon adoption of this standard, the company recognized the transition obligation as the cumulative effect of an accounting change. (See Note 2). Adoption of this standard did not materially affect 1995 and 1994 income before cumulative effect of accounting changes.

ALBERTSON'S INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Plans (In Part)

At the beginning of 1994, the Company adopted the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This statement requires employers to recognize an obligation for benefits provided to former or inactive employees after employment but before retirement. The Company is self-insured for its employees' short-term and long-term disability plans which are the primary benefits paid to inactive employees prior to retirement. In prior years, expenses for disability benefits were charged to earnings under the pay-as-you-go method. The total cumulative effect of this accounting change (net of $10.6 million in tax benefits) was to decrease net earnings by $17.0 million or $.07 per share. The impact of this change on 1994 operations was not material. As of February 1, 1996, $30.0 million of the obligation for postemployment benefits was included with other long-term liabilities and $4.4 million was included with current salaries and related liabilities in the Company's consolidated balance sheets. As of February 2, 1995, $25.8 million of the obligation for postemployment benefits was included with other long-term liabilities and $3.0 million was included with current salaries and related liabilities in the Company's consolidated balance sheets.

BAKER HUGHES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part) Employee Benefit Plans

Postemployment Benefits

The Company provides certain postemployment benefits to substantially all domestic former or inactive employees following employment but before retirement. Net postemployment expense in 1995 under SFAS No. 112 was $2.8 million, which consisted of service and interest cost of $1.0 million and $1.8 million, respectively. Expense in 1994 and 1993 was $2.0 million and $2.2 million, respectively. Certain disability income benefits are provided through a qualified plan which is funded by contributions from the Company and employees. The primary asset of the plan is a guaranteed insurance contract with an insurance company. At September 30, 1995, the disability income obligation was $10.2 million assuming a discount rate of 7% and the guaranteed insurance contract had a contract value of $18.6 million. Certain additional benefits, primarily the continuation of medical benefits while on disability, are provided through a nonqualified, unfunded plan. At September 30, 1995, the plan has an accumulated benefit obligation of $27.8 million assuming a discount rate of 7%.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Postemployment Benefits

Effective January 1, 1994, Curtiss-Wright adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS No. 112). This statement required a provision for benefits applicable to former or inactive employees, after employment but before retirement. These benefits primarily include severance benefits and disability-related items. Under the new accounting rules, the Corporation recorded a projected obligation for these benefits of $375,000 in 1994. This obligation resulted in an after-tax charge to earnings for the first quarter of 1994 of $244,000, or $.05 per share.

JOHNSON CONTROLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Postemployment Benefits

Effective October 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 prescribes accrual accounting methods for employers who provide certain benefits to former or inactive employees after employment but before retirement. Previously, these costs were charged to expense as benefits were paid. Adoption of this standard resulted in a one time transition charge of $42.3 million before taxes ($26 million or $.64 per share on a primary basis and $.60 per share fully diluted, after taxes). In accordance with the requirements of SFAS No. 112, the transition obligation was charged to 1993 income as the cumulative effect of an accounting change. In 1995, the Company's accrued post-employment benefit obligation was reduced by approximately $12 million as disabled individuals became qualified for primary Medicare coverage.

OWENS CORNING (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Postemployment and Postretirement Benefits Other Than Pensions

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires the Company to recognize the obligation to provide benefits to former or inactive employees after employment but before retirement under certain conditions. These benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as health care and life insurance coverage. The cumulative effect of the adoption of this standard, recorded in 1994, was an undiscounted charge of $28 million, or $5.6 per share, net of related income taxes of $18 million.

The following table reconciles the status of the accrued postemployment benefits cost liability at October 31, 1995 and 1994, as reflected on the balance sheet as of December 31, 1995 and 1994:

(In millions of dollars)	1995	1994
Funded status	$(40)	$(45)
Unrecognized net gain	(2)	—
Benefit payments subsequent to the valuation date (October 31)	1	1
Accrued postemployment benefit cost liability (includes current liabilities of $4 million in 1995 and $5 million in 1994)	$(41)	$(44)

The net postemployment benefits expense was $2 million and $3 million for 1995 and 1994, the year of adoption, respectively.

COMPENSATORY PLANS

For the 1995 financial statements of the survey companies, *APB Opinion No. 25* is the authoritative pronouncement on accounting for employee compensatory plans. Effective for fiscal years beginning after December 15, 1995, *Statement of Financial Accounting Standards No. 123* establishes accounting and reporting standards for stock-based compensation plans. *SFAS No. 123* encourages entities to use a "fair value based method" in accounting for employee stock-based compensation plans but allows the "intrinsic value based method" prescribed by *Opinion No. 25. SFAS No. 123* amends *Opinion No. 25* to require pro forma disclosures of net income and earnings per share as if the "fair value based method" was used. Examples of such pro forma disclosures are on pages 50, 265, 268, and 346-347.

Table 3-12 lists the nature of compensatory plans disclosed by the survey companies. Examples of disclosures for such plans follow.

TABLE 3-12: COMPENSATORY PLANS

	Number of Companies			
	1995	**1994**	**1993**	**1992**
Stock award	269	260	245	246
Savings/investment	232	230	208	202
Employee stock ownership	141	149	158	147
Profit-sharing	123	109	111	94
Incentive compensation	69	75	73	85
Deferred compensation	47	45	43	38

Stock Award Plans

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In millions

8 (In Part): Shareholders' Equity

Stock Plans
The 1993 Stock Incentive Plan ("1993 Plan") provides for several types of equity-based incentive compensation awards. Under the 1993 Plan, the maximum number of shares that may be awarded is 3,525,000 shares of which no more than 2,000,000 shares may be used for restricted share and stock bonus grants. Awards, when made, may also be in the form of stock options, stock appreciation rights, dividend equivalent rights or performance unit awards. Stock options granted to officers and key employees shall be at a price no less than fair market value on the date the option is granted. During 1993, 10,000 restricted shares were granted under the 1993 Plan, with an aggregate value of approximately $.5, which is amortized over a 7.6 year vesting period. During 1994, 133,985 restricted shares were granted under the 1993 Plan with an aggregate value of $7.6 and vest and are being amortized over a one to five year period. During 1995, 48,000 restricted shares were granted under the 1993 Plan with an aggregate value of $2.8 and vest and are being amortized over a two to four year period.

Effective January 1, 1994, the 1994 Long-Term Incentive Plan ("1994 LTIP") was authorized under the 1993 Plan. The 1994 LTIP provides for the grant of two forms of incentive awards, performance units for potential cash incentives and 10 year stock options. Performance units are earned over the three-year performance period 1994-1996, based on the degree of attainment of performance objectives. The cash target value of the performance units at December 31, 1995 was approximately $29.5. Options are awarded annually over the three-year performance period and vest in thirds over the three-year period following each option grant date. As discussed above, these options are granted at the fair market value on the date the option is granted. As of December 31, 1995, options on 125,000 shares of stock were exercisable and are included in the total exercisable number above.

As of December 31, 1993, required performance goals under the prior long-term incentive plan were achieved and accordingly, fifty percent of previously issued restricted shares were vested and issued in early 1994. An additional thirty percent of such shares vested and were issued in early 1995 while the remaining twenty percent vested and were issued in early 1996. During 1993, 48,090 restricted shares were issued under that plan, with an aggregate value on the date of grant of $3.5. Expense is recorded as the restricted shares vest over the periods established for each grant.

Compensation expense under all plans was $13.7 (1994 - $14.4; 1993 - $9.4). The unamortized cost as of December 31, 1995 was $5.0 (1994 - $7.2). The accrued cost of the performance units for the year ended December 31, 1995 was $9.4 (1994 - $9.6).

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Restricted Stock and Stock Option Plans

A. Restricted Stock Plan
The company's Restricted Stock Plan (The Plan) provided for the award of up to 100,000 shares of the company's Common Stock to certain officers and key employees and for the reimbursement to certain participants for the personal income tax liability resulting from such awards. The company provides for any income tax liability ratably throughout the restricted period. Plan participants are entitled to cash dividends and to vote their respective shares. The sale or transfer of the shares is limited during the restricted period, not exceeding eight years. All eligible shares have been issued. The value of such stock was established by the market price on the date of grant. Restrictions on 2,500 shares expired during 1995.

Unearned compensation was charged for the market value of the restricted shares as these shares were issued in accordance with The Plan. The unearned compensation is shown as a reduction of shareholders' equity in the accompanying consolidated balance sheets and is being amortized ratably over the restricted period.

During 1995, 1994 and 1993, $82,000, $101,000 and $178,000 was charged to expense relating to The Plan.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine. Stock-Based Compensation Plans

The Company applies APB Opinion No. 25 and related Interpretations in accounting for its plans. FASB Statement No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") was issued by the FASB and, if fully adopted, changes the methods for recognition of cost on plans similar to those of the Company. Adoption of SFAS 123 is optional; however, proforma disclosures as if the Company adopted the cost recognition requirements under SFAS 123 in 1995 are presented below.

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The Company's restricted stock award plans provide for awards to officers and certain key employees of the Company. For awards granted prior to 1994, restricted stock generally vests (i) when a participant retires, becomes disabled, or dies or (ii) based on the attainment of certain market price levels of the Company's stock. For awards granted 1994 and after, restricted stock generally vests only upon attainment of certain increases in the market price of the Company's common stock within five years from the date of grant. Upon approval of the 1995 restricted stock plan, all unissued restricted stock under the 1994 restricted stock plan was canceled and included in awards available for grant under the 1995 plan.

All restricted stock awards entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under

certain circumstances. Upon issuance of restricted shares, unearned compensation is charged to share-owners' equity for the cost of restricted stock and recognized as amortization expense ratably over the vesting periods, as applicable. The amount of unearned compensation recognized as expense was $31 million, $5 million, and $2 million for 1995, 1994, and 1993, respectively. Costs in 1995 included an accelerated cost recognition of $22 million in the fourth quarter resulting from the shortening of the estimated vesting period of awards by management due to the market price performance of the Company's stock during the fourth quarter of 1995. For awards granted prior to 1994, upon vesting of the restricted stock, the Company pays a cash amount to cover a portion of the employee's taxes. Expense recognized for this cost was $9 million, $1 million, and $1 million for 1995, 1994, and 1993, respectively. A summary of restricted stock award activity follows (shares in thousands):

	1995	1994	1993
Awards available for grant - beginning of year	40	186	649
New awards authorized	2,040	725	—
Available awards terminated	(40)	(186)	—
Restricted shares awarded	(655)	(685)	(463)
Awards available for grant - end of year	1,385	40	186
Restricted shares forfeited	43	74	22
Weighted average market value of stock on grant date	$17.88	$17.69	$12.54

Had compensation cost for the Company's 1995 grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income, net income applicable to common share owners, and net income per common share for 1995 would approximate the proforma amounts below (in millions except per share data):

	As Reported	Proforma
Net income	$82	$83
Net income applicable to common share owners	$80	$81
Net income per common share	$0.62	$0.63

The effects of applying SFAS 123 in this proforma disclosure are not indicative of future amounts. SFAS 123 does not apply to awards prior to 1995, and additional awards in future years are anticipated.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Option and Stock Equivalent Unit Plans (In Part)

The Stock Equivalent Unit Plan provides for awards of basic stock units to key employees, although awards have not been made to executive officers since 1990. Each unit is treated as equivalent to one share of the Company's common stock. However, the employee only receives appreciation, if any, in the market value of the stock and dividend equivalent units as dividends are paid. Appreciation on basic stock units is limited to 100% of the original market value. Benefits accrue over seven years and vesting commences in the third year. Plan expense amounted to $26.7 million in 1995, $19.1 million in 1994 and $14.5 million in 1993.

In 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which permits either recording the estimated value of stock-based compensation over the applicable vesting period or disclosing the unrecorded cost and the related effect on earnings per share in the Notes to the Financial Statements. The Company will apply current accounting rules and will comply with the disclosure provision.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in Millions)

Note 17 (In Part): Capital Stock

Key Employee Plans
In 1993, the board of directors adopted, and the stockholders approved, the 1993 Honeywell Stock and Incentive Plan. The plan, which terminates December 31, 1998, provides for the award of up to 7,500,000 shares of common stock. The purpose of the plan is to further the growth, development and financial success of Honeywell and its subsidiaries by aligning the personal interests of key employees, through the ownership of shares of common stock and through other incentives, to those of Honeywell stockholders. The plan is further intended to provide flexibility to Honeywell in its ability to compensate key employees and to motivate, attract and retain the service of such key employees who have the ability to enhance the value of Honeywell and its subsidiaries. Awards made under the plan may be in the form of stock options, restricted stock or other stock-based awards. The plan replaced existing similar plans, and awards currently outstanding under those plans were not affected. There were 9,099,612 shares reserved for all key employee plans at December 31, 1995.

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Restricted shares of common stock are issued to certain key employees as compensation. Restricted shares are awarded with a fixed restriction period, usually five years, or with a restriction period that may be shortened dependent on the achievement of performance goals within a specified measurement period. Participants have the rights of stockholders, including the right to receive cash dividends and the right to vote. Restricted shares forfeited revert to Honeywell at no cost. Restricted shares issued totaled 212,781 in 1995, 141,376 in 1994 and 533,995 in 1993. The cost of restricted stock is charged to income over the restriction period and amounted to $3.2 in 1995, $5.6 in 1994 and $6.3 in 1993. At December 31, restricted shares outstanding pursuant to key employee plans totaled 746,150 in 1995, 767,209 in 1994 and 775,861 in 1993.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Incentive Plans (In Part)

The Company's 1990 Omnibus Stock Incentive Plan (the "Plan"), as amended, provides for the granting of options, restricted stock and other stock-based awards for a maximum of 8,000,000 shares of common stock to key employees. The Plan replaced the Company's 1973 and 1987 Stock Option Plans and the 1980 Restricted Stock Plan ("Previous Plans").

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The Plan also permits the granting of performance shares, representing rights to receive cash and/or common stock of the Company based upon certain performance criteria over a three-year performance period, and performance based restricted shares, representing rights to receive common stock of the Company based upon certain performance criteria over a one-year performance period. Compensation expense related to grants under these provisions is based on current market price of the Company's common stock and the extent to which performance criteria are being met.

Information regarding performance shares and performance based restricted share is as follows:

($ in millions)	1995	1994	1993
Units awarded	32,297	77,376	54,301
Fair market value of units awarded	$1.2	$2.9	$2.6
Shares granted related to units previously awarded	60,807	42,051	—
Fair market value of shares granted	$2.2	$1.6	$—

Restricted stock awards are currently granted under the Plan only in connection with the hiring or retention of key executives and are subject to certain conditions. Restrictions are lifted generally three or four years after the grant date, provided the executive continues to be employed by the Company. Information with respect to the restricted shares is as follows:

($ in millions)	1995	1994	1993
Shares granted	112,773	55,050	2,225
Fair market value of shares granted	$4.1	$1.9	$0.1
Shares canceled	11,452	1,535	420

At December 31, 1995 shares available for grant under the Plan totaled 1,901,254.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Retirement Benefit and Incentive Compensation Programs

The OMC Executive Equity Incentive Plan authorized the awarding of performance units or performance shares, each with a value equal to the value of a share of common stock at the time of award. Performance units or performance shares will be earned and paid in cash or shares, or both, based upon the judgment of the compensation committee of the company's board of directors whose members are not participants in the plan, as to the achievement of various goals over multi-year award cycles. In 1995, 1994 and 1993, respectively, $1.1 million, $1.4 million and $.6 million were charged to earnings for the estimated cost of performance units earned under the OMC Executive Equity Incentive Plan.

THE STANDARD PRODUCTS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Common Shares

Under the Standard Products Company 1991 Restricted Stock Plan, 375,000 common shares were reserved for restricted stock awards. Shares awarded are earned ratably over the term of the restricted stock agreement, based upon achieving specified performance goals. Generally, transferability of shares earned is restricted for a specified number of years following the year in which they were earned. Until the restrictions lapse, the recipient of earned restricted shares is entitled to all of the rights of a shareholder, including the right to vote the shares, but the shares are restricted as to transferability and subject to forfeiture to the Company during the restricted period. Shares awarded were 75,000 in 1995 and 187,500 in 1992. Of the shares awarded, 16,800 shares were earned in 1995, 20,800 shares in 1994 and 25,000 shares in 1993. In 1995, $208,000 was charged to operations as compensation expense based upon the market value of the earned shares. The similar charge to operations in 1994 and 1993 was $585,000 and $866,000, respectively. At year end, 112,500 shares remain available for future awards.

Savings/Investment Plans

SPECTRUM CONTROL, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Employee Savings Plan

The Company has an employee savings plan which permits participants to make contributions by salary reduction pursuant to section 401(k) of the Internal Revenue Code. The Company matches contributions up to a maximum of 2.5% of compensation and may, at its discretion, made additional contributions to the plan. In connection with the required match, the Company's contribution to the plan was $161,000 in 1994, $130,000 in 1994, and $133,000 in 1993. An additional discretionary contribution to the plan of $75,000 was accrued and charged against income in 1993.

TASTY BAKING COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

14. Thrift Plan

The Tasty Baking Company Thrift Plan (the Plan) permits participants to make contributions to the Plan on a pre-tax salary reduction basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The company contributes $1.00 for each $1.00 contributed by a participant up to a specified limit. Company contributions charged against income totaled $370,124 in 1995, $367,246 in 1994, and $370,760 in 1993.

Effective January 1, 1995, the company amended the Plan by adopting a Section 401(k) prototype plan sponsored by the Dreyfus Corporation. Under the Plan, as amended, the company's contributions are invested in Tasty Baking Company common stock and participants may choose from a selection of mutual fund options offered by the Dreyfus Corporation for their contributions.

The company has 150,822 shares of its common stock reserved for possible issuance under the Plan at December 30, 1995.

TEXAS INSTRUMENTS INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Profit Sharing and Retirement Plans (In Part)

The company provides various incentive plans for employees, including general profit sharing and savings programs as well as an annual incentive plan for key employees. The company also provides pension and retiree health care benefit plans in the U.S. and pension plans in certain non-U.S. locations.

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Savings program: The company provides a matched savings program whereby U.S. employees' contributions of up to 4% of their salary are matched by the company at the rate of 50 cents per dollar. Contributions are subject to statutory limitations. The contributions may be invested in several investment funds including TI common stock. The company's expense under this program was $22 million in 1995, $21 million in 1994 and $21 million in 1993.

TRIBUNE COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12 (In Part): Incentive Compensation and Stock Plans

Savings Incentive Plan. The Company maintains various qualified Savings Incentive Plans, which permit eligible employees to make voluntary contributions on a pretax basis. The plans provide for uniform employer contributions to eligible employees of $.25 for each $1.00 contributed by participants up to 4% of the participants' compensation. These plans allow participants to invest their savings in various investments including the Company's common stock. Company contributions to these plans for 1995, 1994 and 1993 were $2.6 million, $2.3 million and $2.1 million, respectively. The Company had 400,000 shares of common stock reserved for possible issuance under these plans at December 31, 1995.

Employee Stock Ownership Plans

ANTHONY INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11 (In Part): Shareholders' Equity

Employee Stock Ownership Plan
The Company has an Employee Stock Ownership Plan ("ESOP") which covers substantially all of its domestic non-union employees with at least one year of service. As of December 31, 1995, the trust was indebted to the Company in the aggregate amount of $861,000 in connection with stock purchases made from 1982 through 1984 of which 228,225 shares with an aggregate market value of $5,250,000 as of December 31, 1995 remained unallocated to participants. These loans are repayable over the next seven to nine years with interest at prime plus .5%, not to exceed 18% and the unallocated shares will be released to participants proportionately as these loans are repaid. Of the total dividends received by the ESOP on its investment in the Company's common stock, dividends on unallocated shares in the amount of $169,00 and $157,000 in 1995 and 1994, respectively, were used to service these loans. Additionally, the trust was indebted to the Company in the amount of $400,000, at December 31, 1995 and 1994 in connection with distributions made to terminees. The balance outstanding was repaid subsequent to the 1995 year end.

Shareholders' equity has been reduced by the amounts of the loans and any payments made by the Company on behalf of the trust. The payments, which at December 31, 1995 totaled $139,000, are being amortized to expense over the lives of the loan.

The amount of the Company's annual contribution to the ESOP is at the discretion of the Company's Board of Director. For the three years 1995, 1994 and 1993 contributions were limited to amounts in excess of annual dividends, net of debt service, of the ESOP necessary to fund obligations arising in each of those years to retired and terminated employees. These amounts were $13,000, $1,016,000 and $1,260,000, respectively. ESOP expense, including amortization of the foregoing payments, was $264,000, $1,014,000 and $1,012,000 in 1995, 1994 and 1993, respectively. Allocated shares as of December 31, 1995 totaled 2,036,347.

BETZ LABORATORIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Employee Stock Ownership (ESOP) and 401(k) Plan

In 1989, the Company established an ESOP and a related trust as a long-term benefit for substantially all of its U.S. employees. This plan supplements the Company's employee retirement plan. Under this plan, the Company sold 500,000 shares of a new Series A ESOP Convertible Preferred Stock to the trust for $100,000,000. The Company arranged for and guaranteed a loan of $100,000,000 to the trust for the purchase of the preferred stock. Proceeds of the loan were primarily used for the purchase of common treasury stock to be used for future conversion and redemption of the preferred stock, which is presently convertible into 2,758,000 shares of common stock. The loan and guarantee are recorded in the Company's consolidated balance sheets as long-term debt and a reduction in shareholders' equity.

Effective January 1, 1990, the Company's 401(k) program was integrated into the Employee Stock Ownership Plan. Employees may invest 2 to 15 percent of eligible compensation. Company matches, equal to 25 percent of the first 4 percent of employees' investments, fully vest to employees upon the completion of 5 years of service. The Company's matching contributions, which are included in ESOP expense, are made in the form of the ESOP Convertible Preferred Stock. The fair value of such matching contributions amounted to $1,397,000 in 1995, $1,365,000 in 1994 and $1,411,000 in 1993.

After satisfying the 401(k) matching contributions, the remaining shares of ESOP stock are allocated to each participant based on the ratio of the participant's compensation to total compensation of all participants. During 1995, 4,264 shares of the Preferred Stock were converted to Common Shares by plan participants and permanently retired. The number of shares allocated and unallocated at December 31 are as follows:

	1995	1994
Allocated	109,512	102,884
Unallocated	378,391	389,283
Total shares held by ESOP	487,903	492,167

The Company is required to make quarterly contributions to the Plan which enable the trust to service its indebtedness. Net ESOP cost for the Company is comprised of the following elements (in thousands):

	1995	1994	1993
ESOP expense	$9,263	$9,163	$9,210
Preferred dividends (charged to retained earnings)	(7,840)	(7,905)	(7,947)
ESOP expense charged to earnings	$1,423	$1,258	$1,263
ESOP debt interest expense at 8.08%	$7,835	$7,897	$7,937
ESOP contributions	$8,838	$8,398	$8,441

The ESOP expense is calculated using the 80-percent-of-shares-allocated method. To the extent that this expense exceeds the ESOP's annual debt service requirements, an adjustment is made to the shareholders' equity reduction to reflect the cumulative effect of the excess charges ($8,594,000, $7,166,000 and $5,899,000 in 1995, 1994 and 1993, respectively).

The ESOP debt matures on June 19, 2009 and requires principal payments as follows: in each of the years 1996-2000 — $1,000,000. The Company is obligated to maintain, among other things, certain levels of tangible net worth and interest coverage, and not to exceed a maximum funded debt level. The fair value of the ESOP debt approximates $104,000,000, which was estimated

using discounted cash flow analyses, based on quoted market rates for similar obligations.

Amounts paid by the Company to the ESOP which are characterized as interest expense in the accompanying financial statements and interest on other indebtedness amounted to $1,652,000, $1,263,000 and $1,331,000 for the years 1995, 1994 and 1993, respectively. Capitalized interest amounted to $528,000, $1,085,000 and $1,188,000 in 1995, 1994 and 1993, respectively.

DONALDSON COMPANY, INC. (JUL)

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 3,600,000 newly issued shares of Common Stock. These shares are held in trust and are issued to employees' accounts in the ESOP as the loan is repaid over 10 years. At July 31, 1995 and 1994, 2,928,170 and 2,514,170 shares have been allocated to employees. 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 shares 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 loan principal repayments made by the ESOP. The ESOP contribution expense totaled $2,130,000, $2,020,000 and $1,745,000 in 1995, 1994 and 1993, respectively.

FURON COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (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.

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Employee Stock Ownership Plan

The Company sponsors an Employee Stock Ownership Plan (ESOP) covering substantially all of its employees (subject to certain limitations). The Company annually contributes amounts sufficient to cover principal and interest on loans made to the ESOP as determined by the Board of Directors.

Prior to December 31, 1992, the Company loaned the ESOP $3,666,000 ($1,957,000 outstanding at February 3, 1996) to purchase 311,000 shares of stock, at interest rates ranging from 7.83% to 9.12%. The loans are payable in ten annual installments of principal and interest.

In fiscal 1996, the Company loaned the ESOP $579,063 to purchase 27,500 shares of stock from a director of the Company, at interest rates ranging from 6.36% to 7.31%. In fiscal 1995, the Company loaned the ESOP $808,125 to purchase 45,000 shares of stock from a director of the Company, at interest rates ranging from 7.45% to 7.67%. These loans are payable in ten annual installments of principal and interest, beginning in fiscal 1996. Shares are released and allocated to participant accounts annually as loan repayments are made.

In fiscal 1995, the Company adopted the provisions of AICPA Statement of Position No. 93-6 (the SOP) which requires that compensation expense be measured based on the fair value of the shares over the period the shares are earned. In addition, the SOP requires that dividends paid on unallocated shares held by the ESOP are reported as a reduction of accrued interest or as compensation expense rather than a charge to retained earnings, and shares not yet committed to be released are not considered outstanding in the calculation of earnings per share. As allowed by the SOP, the Company has elected not to apply the SOP's provisions to shares acquired prior to fiscal 1994. As such, compensation expense related to such shares is measured based on the historical cost of the shares, dividends have been deducted as a charge to retained earnings and the unallocated shares are considered outstanding in the calculation of earnings per share. The adoption of the SOP did not have a material impact on the consolidated financial statements.

Of the leveraged shares acquired prior to fiscal 1994, 117,367 and 165,731 are allocated and unallocated, respectively, at February 3, 1996. Of the leveraged shares acquired in fiscal 1996 and 1995, there were 2,021 allocated shares, 5,615 committed-to-be-released shares and 64,864 unallocated shares at February 3, 1996. The fair value of unallocated shares acquired in fiscal 1996 was $1,232,000 at February 3, 1996. Total compensation cost recognized by the Company during fiscal 1996, 1995 and 1994, which consists of the annual contribution and plan administrative costs, net of dividend income on unallocated and forfeited shares, totaled $699,000, $528,000 and $339,000, respectively.

H.J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Shareholders' Equity

Employee Stock Ownership Plan (ESOP): The company established an ESOP in 1990 to replace in full or in part the company's cash-matching contributions to the H.J. Heinz Company Employees Retirement and Savings Plan, a 401(k) plan for salaried employees. Matching contributions to the 401(k) plan are based on a percentage of the participant's contributions, subject to certain limitations.

To finance the plan, the ESOP borrowed $50.0 million directly from the company in 1990. The loan is in the form of a 15-year variable-rate interest-bearing note (an average of 5.6%, 4.2% and 4.1% for 1995, 1994 and 1993, respectively) and is included in the company's Consolidated Balance Sheets as unearned compensa-

tion. The proceeds of the note were used to purchase 1,577,908 shares of treasury stock from the company at approximately $31.70 per share.

The stock held by the ESOP is released for allocation to the participants' accounts over the term of the loan as company contributions to the ESOP are made. The company contributions are reported as compensation and interest expense. Compensation expense related to the ESOP for 1995, 1994 and 1993 was $3.7 million, $3.3 million and $2.7 million, respectively. Interest expense was $1.9 million, $1.7 million and $1.7 million for 1995, 1994 and 1993, respectively. The company's contributions to the ESOP and the dividends on the company stock held by the ESOP are used to repay loan interest and principal.

The dividends on the company stock held by the ESOP were $2.5 million, $1.9 million and $1.7 million in 1995, 1994 and 1993, respectively.

The ESOP shares outstanding at May 3, 1995 were as follows: unallocated 778,321, committed-to-be-released 44,846 and allocated 571,313. Shares held by the ESOP are considered outstanding for purposes of calculating the company's net income per share.

MAYTAG CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan and Other Employee Benefits (In Part)

The Company has established a trust to administer a leveraged employee stock ownership plan (ESOP) within an existing employee savings plan. The Company has guaranteed the debt of the trust and will service the repayment of the debt, including interest, through the Company's employee savings plan contribution and from the quarterly dividends paid on stock held by the ESOP. Dividends paid by the Company on stock held by the ESOP totaled $1.5 million, $1.4 million and $1.4 million in 1995, 1994 and 1993. The ESOP notes are collateralized by the Common stock owned by the ESOP trust. The Company makes annual contributions to the ESOP to the extent the dividends earned on the shares held are less than the debt service requirements. The Company made contributions to the plan of $6.3 million, $5.9 million and $5.5 million for loan payments in 1995, 1994 and 1993. As the debt is repaid, shares are released from collateral and allocated to active employees based on the proportion of debt service paid in the year.

Accordingly, the loan outstanding is recorded as debt and the cost of shares pledged as collateral are reported as a reduction of Shareowners' Equity (employee stock plans). As the shares are released from collateral, the Company reports compensation expense based on the historical cost of the shares. The Company also expenses any additional contributions required if the shares released from collateral are less than the shares earned by the employees. All shares held by the ESOP are considered outstanding for earnings per share computations and dividends earned on the shares are recorded as a reduction of retained earnings. Expenses of the ESOP, the majority of which represents interest on the ESOP debt, totaled $8.3 million, $7.4 million and $7.5 million in 1995, 1994 and 1993. The ESOP shares as of December 31 were as follows:

	1995	1994
Released and allocated shares	1,053,087	884,373
Unreleased shares	1,804,056	1,972,770
	2,857,143	2,857,143

SPAN-AMERICA MEDICAL SYSTEMS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Employee Benefit and Incentive Plans

The Company has an Employee Stock Ownership Plan (the "ESOP") for the benefit of employees of the Company who have completed one year of service with the Company and have attained age 21. Under the provisions of SOP 93-6, the company's plan is "grandfathered" and therefore the Company accounts for the ESOP under SOP 76-3. In 1990, the ESOP borrowed $475,000 at the bank's prime rate on a 10-year loan which is guaranteed by the Company. The ESOP used the proceeds of the loan to purchase 100,000 shares of the Company's Common Stock from the former chairman of the board of the Company at a price of $4.75 per share, the average of the bid and asked prices on the day before the transaction. In 1992, the ESOP borrowed $228,750 at the bank's prime rate on a 10-year loan which is guaranteed by the Company. The proceeds were used to purchase an additional 15,000 shares of the Company's Common Stock from the former chairman of the board of the Company at a price of $15.25 per share, the average of the bid and asked prices on the day of the transaction.

The Company has reflected the guaranteed ESOP borrowings as long-term debt on its balance sheet. The ESOP borrowings are secured by the unallocated shares of Common Stock. A corresponding amount of "Guaranteed ESOP Obligations" is recorded as a reduction of shareholders' equity. As the Company makes tax deductible contributions to the ESOP to make the principal and interest payments on the loan, shares acquired with the loan proceeds are allocated to ESOP participants and both the liability and the amount in shareholders' equity are reduced. At September 30, 1995, 60,625 of the original shares acquired had been allocated to the participants of the Company's ESOP. The Company's contributions to the ESOP were approximately $88,000 in 1995, $85,000 in 1994, and $100,000 in 1993. Interest payments for fiscal 1995, 1994, and 1993 of approximately $35,000, $32,000 and $33,000, respectively, were partially funded by dividends received by the ESOP of approximately $18,000, $17,000 and $12,000.

Profit Sharing Plans

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Employee Benefit Plans

Productivity Incentive Plans. The Productivity Incentive Plan (Plan) provides for quarterly distributions of common stock and cash to each eligible employee. The amounts of the distributions are based on consolidated pre-tax profit, the market price of the Company's common stock and the employee's salary. The fair market value of common stock and cash that are earned under the Plan are charged to expense. For fiscal 1995, 18,593 shares (fair market value of $482,672) and $2,597,904 were accrued for the benefit of employees. For fiscal 1994, 23,200 shares (fair market value of $302,500) and $1,547,000 were accrued for the benefit of employees. For fiscal 1993, 19,400 shares (fair market value of $254,000) and $1,253,000 were accrued for the benefit of employees. At September 30, 1995, the Company had 67,023 shares of its common stock reserved for future issuance under the Plan.

JUNO LIGHTING, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Profit Sharing Plan

The Company has a profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code, whereby participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. The plan provides for a matching contribution by the Company which amounted to approximately $163,000, $158,000 and $141,000 in 1995, 1994 and 1993, respectively. In addition, the Company may make additional contributions at the discretion of the Board of Directors. The Board authorized additional contributions of $558,000, $628,000 and $562,000, in 1995, 1994 and 1993 respectively.

SEAGATE TECHNOLOGY (JUN)

NOTES TO FINANCIAL STATEMENTS

Employee Profit Sharing and Executive Bonus Plans

The Company allocates a certain percentage of quarterly pre-tax profits to its Employee Profit Sharing Plan which is currently distributed to employees, excluding officers, employed for the full quarter. The Company also allocates a certain percentage of quarterly pre-tax profits to its Executive Bonus Plan. Distributions to corporate officers under this plan are subject to the discretion of the Board of Directors. Charges to operations for these Plans during 1995, 1994 and 1993 were $54,130,000, $34,487,000 and $26,155,000, respectively.

SUNRISE MEDICAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

7. Profit Sharing/Savings Plan

The company has a 401(k) profit sharing/savings plan covering most of its U.S. employees ("Associates"). Under the profit sharing portion of the plan, the company will contribute to Associates' accounts a percentage of their salary for the fiscal year. The percentage amount is based upon attainment of certain earnings targets by the company as a whole in the case of corporate office Associates, or by the subsidiary of the company for which the Associate works. The plan is discretionary as the amounts are determined based on earnings targets set by the Board of Directors. During 1995, 1994 and 1993, $2,373, $2,469 and $1,962, respectively, were accrued for this plan. Under the savings feature, individual Associates may contribute to the plan. The company will match Associate contributions in an amount determined by the Board of Directors. During 1995, 1994 and 1993, $709, $611 and $501, respectively, of Associate contributions were matched by the company.

WAL-MART STORES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Defined Contribution Plan

The Company maintains a profit sharing plan under which most full and many part-time Associates become participants following one year of employment. Annual contributions, based on the profitability of the Company, are made at the sole discretion of the Company. Contributions were $204 million, $175 million, and $166 million in 1996, 1995, and 1994, respectively.

Incentive Compensation Plans

AST RESEARCH, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Benefit Plans

Employee Bonus Plans

Pursuant to the Employee Bonus Plan, all employees of the Company are eligible to receive, on a quarterly basis, a percentage of their base compensation as a cash bonus. The percentage is at the discretion of management and is limited to a maximum of 15% of the respective employees' base quarterly compensation. For fiscal 1995, no bonuses were paid. Bonuses paid for the years ended July 2, 1994 and July 3, 1993 were $1,954,000 and $1,568,000, respectively.

The Company also has a performance-based management incentive plan for officers and key employees. Bonuses under the plan are distributed to officers and key employees of the Company based upon performance related criteria determined at the discretion of the Compensation Committee of the Board of Directors. For fiscal 1995, no bonuses were paid. Bonuses paid for the years ended July 2, 1994 and July 3, 1993 were $1,920,000 and $3,928,000, respectively.

BANTA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Stock and Incentive Programs for Management Employees

The Corporation has a Management Incentive Award Plan which provides for the payment of cash awards or bonuses to officers and other key employees with respect to any year in which the Corporation and its operating units achieve specified objectives. Awards under the plan were $2,799,000 in 1995, $2,770,000 in 1994 and $2,710,000 in 1993.

The Corporation also has a Long-term Incentive Plan which provides for payment of cash awards to key officers and executives of the Corporation upon achievement of specified objectives over three-year performance periods. Awards under the plan were $511,000 for the 1993 to 1995 performance period, $609,000 for the 1992 to 1994 performance period and $530,000 for the 1991 to 1993 performance period.

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock and Incentive Programs for Management Employees (In Part)

Incentive Compensation Plans—The company has incentive compensation plans covering selected officers. Amounts charged to expense for supplementary compensation ($4.3 million in 1995, $3.3 million in 1994 and $2.6 million in 1993), are determined from the level of achievement of performance measures related to earnings, margins and returns applied to the participants' base salaries. Similar incentive and gain sharing compensation plans exist for other officers, managers, supervisors and production employees.

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employee Benefit Plans

Executive Incentive Compensation Plan
At the Company's 1995 Annual Meeting, the Shareholders approved the 1995 Executive Incentive Compensation Plan which replaced the Annual and Long-Term Incentive Plans and the 1986 Stock Option Plan. The new Plan became effective January 1, 1995. Under the Plan, the Management Development and Compensation Committee awards 60% of the value of any earned performance to be paid to participants in the form of cash and 40% in the form of restricted shares of the Company's common stock. Awards are made in February of the succeeding year. The Company accrues amounts based on performance reflecting the value of cash and common stock which is anticipated to be earned for the current year. Compensation expense relating to these awards was $5.2 million in 1995. Compensation expense under the old plan was $3.7 million and $4.5 million for 1994 and 1993, respectively. A total of 2,000,000 shares of the Company's common stock are reserved and available for issuance to participants for annual incentive and stock option awards. As of December 31, 1995, no restricted shares had been granted under this Plan.

Deferred Compensation Plans

AVERY DENNISON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9 (In Part): Employee Retirement Plans

Other Retirement Plans
The Company has deferred compensation plans that permit eligible employees and directors to defer a specified portion of their compensation. The deferred compensation, together with certain Company contributions, earn a specified rate of return. As of year end 1995 and 1994, the Company had accrued $48.2 million and $40.8 million, respectively, for its obligations under these plans. The Company's expense, which includes Company contributions and interest expense, was $5.6 million, $4 million and $3.8 million, for 1995, 1994 and 1993, respectively. A portion of the interest may be forfeited by participants in the event employment is terminated before age 55 other than by reason of death, disability or retirement.

To assist in the funding of these plans, the Company purchases corporate-owned life insurance contracts. Proceeds from the insurance policies are payable to the Company upon the death of the participant. The cash surrender value of the these policies, net of outstanding loans, included in "Other assets" was $16.4 million and $13.7 million as of year end 1995 and 1994, respectively.

AMERON, INC. (NOV)

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Employee Benefit Plans

The Company has a deferred compensation plan providing key executives with the opportunity to participate in an unfunded, deferred compensation program. Under the program, participants may defer base compensation and bonuses and earn interest on their deferred amounts. The program is not qualified under Section 401 of the Internal Revenue Code. The total of net participant deferrals, which is reflected in accrued liabilities was

$3,911,000 at November 30, 1995 and $3,208,000 at November 30, 1994. The expense for this plan was $346,000 in 1995, $136,000 in 1994 and $362,000 in 1993.

O'SULLIVAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (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 15 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 $397,798 for 1995, $295,299 for 1994 and $196,064 for 1993.

PARKER HANNIFIN CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

10 (In Part): Retirement Benefits

Other — In 1995 the Company established nonqualified deferred compensation programs which permit officers, directors and certain management employees to annually elect (via individual contracts) to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company match, and earnings on the deferrals. Deferred compensation expense was $2,530 in 1995.

The Company has invested in corporate-owned life insurance policies to assist in funding these programs. The cash surrender value of these policies are in an irrevocable rabbi trust and are recorded as assets of the Company.

SAVANNAH FOODS & INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Other Retirement and Benefit Plans

The Company sponsors a deferred compensation program which permits directors and certain management employees to defer portions of their compensation and earn a guaranteed interest rate on the deferred amounts. In effect, such amounts deferred are unsecured loans to the Company. The salaries, which have been deferred since the program's inception have been accrued, and the expense, other than salaries, related to this program is interest on the deferred amounts. Interest expense during the fiscal periods ended October 1, 1995, October 2, 1994, and October 3, 1993 includes $2,320,000, $1,915,000, and $1,247,000, respectively, related to this program. The Company has included in "Deferred employee benefits" $17,694,000 at October 1, 1995 and $15,176,000 at October 2, 1994 to reflect its liability under this program. Payments required to be made to participants in this program for the next five fiscal years are $1,455,000 in 1996, $1,459,000 in 1997, $1,460,000 in 1998, $1,634,000 in 1999, and $2,094,000 in 2000.

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note 10 (In Part): Employee Retirement Plans

The Company also has a nonqualified deferred compensation program which permits key employees and directors to annually elect (via individual contracts) to defer a portion of their compensation until their retirement. The retirement benefit to be provided is fixed based upon the amount of compensation deferred and the age of the individual at the time of the contracted deferral. An individual generally vests at the age of 55, with five years of service since the first deferral was made. For deferrals prior to December 1992, vesting also occurs after 20 years of service. Deferred compensation expense was $1,629,000, $2,056,000 and $2,619,000 in fiscal 1995, 1994 and 1993, respectively. Total deferred compensation liabilities were $20,673,000, and $20,322,000 at August 26, 1995 and August 27, 1994, respectively.

Trust To Fund Employee Benefit Plans

CONAGRA, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Capital Stock

Employee Equity Fund
On August 6, 1992, the Company established a $700 million Employee Equity Fund (EEF), a newly formed grantor trust, to pre-fund future stock-related obligations of the Company's compensation and benefit plans. The EEF supports existing, previously approved employee plans which use ConAgra common stock and does not change those plans or the amounts of stock expected to be issued for those plans.

ConAgra funded the EEF with $700 million (at cost) of ConAgra common stock sold to the EEF. Half of this stock ($350 million for 12,533,572 shares) was newly issued by ConAgra. ConAgra purchased the other half ($350 million for 11,517,397 shares) in the open market with the proceeds from a $350 million subordinated debt offering.

The EEF has delivered a promissory note to ConAgra. The principal amount of the note is the amount of the purchase price of the shares of ConAgra Common Stock sold to the EEF. Amounts owed by the EEF to ConAgra will be repaid by cash received by the EEF or will be forgiven by ConAgra, which will result in the EEF releasing shares to satisfy ConAgra obligations for stock compensation.

For financial reporting purposes the EEF is consolidated with ConAgra. The fair market value of the shares held by the EEF is shown as a reduction to common stockholders' equity in the Company's consolidated balance sheets. All dividends and interest transactions between the EEF and ConAgra are eliminated. Differences between cost and fair value of shares held and/or released are included in consolidated additional paid-in capital.

Following is a summary of shares held by the EEF:

	1995	1994
Shares held	19,423,916	22,286,481
Cost-per share	$29.105	$29.105
Cost-total	565.3	648.6
Fair market value-per share	$32.250	$28.500
Fair market value-total	626.4	635.2

THE DIAL CORP (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J (In Part): Preferred Stock and Common Stock and Other Equity

In September 1992, Dial sold 10,481,800 shares of treasury stock to The Dial Corp Employee Equity Trust (the "Trust") for a $200,000,000 ($19.06 per share) promissory note. The Trust is used to fund certain existing employee compensation and benefit plans over the scheduled 15-year term. Through December 31, 1995, the Trust had issued 4,212,458 shares to fund such benefits. For financial reporting purposes, the Trust is consolidated with Dial. The fair market value of the shares held by the Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity, and is reduced as employee benefits are funded. Unearned employee benefits at December 31, 1995 and 1994 were $186,025,000 and $146,590,000, respectively.

Loan Program

TYCO INTERNATIONAL LTD. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Key Employee Loan Program

Loans are made to employees under the 1983 Key Employee Loan Program for the payment of taxes upon the vesting of shares granted under the Company's Restricted Stock Ownership Plans. The loans are unsecured and bear interest, payable annually. The loans bear interest at a rate which approximates the Company's incremental short-term borrowing rate. Loans are generally repayable in ten years, except that earlier payments are required under certain circumstances. Loans under this program were $8.4 million and $6.4 million at June 30, 1995 and 1994, respectively.

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12* stipulates that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph 5, Chapter 9C of *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			
	1995	**1994**	**1993**	**1992**
Straight-line	572	573	570	564
Declining-balance	27	27	26	26
Sum-of-the-years'-digits	12	9	9	12
Accelerated method-not specified	49	49	56	62
Units-of-production	38	49	46	47
Other	11	11	9	5

Straight-Line Method

AMOCO CORPORATION (DEC)

(Millions of dollars)	1995	1994	1993
Revenues			
Sales and other operating revenues	$27,066	$26,048	$25,336
Consumer excise taxes	3,339	3,409	2,824
Other income	599	905	457
Total revenues	31,004	30,362	28,617
Costs and expenses			
Purchased crude oil, natural gas, petroleum products and merchandise	14,140	13,558	12,878
Operating expenses	4,555	4,743	4,688
Petroleum exploration expenses, including exploratory dry holes	610	633	529
Selling and administrative expenses	2,124	2,227	1,849
Taxes other than income taxes	4,042	4,153	3,648
Depreciation, depletion, amortization, and retirements and abandonments	2,794	2,239	2,193
Interest expense	335	318	325
Total costs and expenses	28,600	27,871	26,110
Income before income taxes	2,404	2,491	2,507

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Depreciation, depletion and amortization. Generally, depreciation of plant and equipment, other than oil and gas facilities, is computed on a straight-line basis over the estimated economic lives of the facilities, which for refining and chemical facilities average 20 years, for administrative buildings average 45 years and for service stations average 16 years. Depletion of the cost of producing oil and gas properties, amortization of related intangible drilling and development costs and depreciation of tangible lease and well equipment are recognized using the unit-of-production method.

The portion of costs of unproved oil and gas properties estimated to be non-productive is amortized over projected holding periods.

The estimated costs to dismantle, restore and abandon oil and gas properties are recognized over the properties' productive lives on the unit-of-production method.

Effective in the fourth quarter of 1995, the corporation adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires long-lived assets with recorded values that are not expected to be recovered through future cash flows to be written down to current fair value. Fair value is generally determined from estimated future net cash flows.

6. Property, Plant and Equipment

Investment in properties at December 31, 1995 and 1994, detailed by industry segment, was as follows. 1994 has been restated to conform to the new reporting basis.

	1995		1994
(Millions of dollars)	Gross	Net	Net
Exploration and production			
United States	$16,215	$6,875	$6,991
Non-U.S.	15,110	5,842	5,719
Petroleum products	9,417	5,004	5,144
Chemicals	6,572	3,540	2,944
Corporate and other operations	1,263	785	745
	$48,577	$22,046	$21,543

The corporation adopted SFAS No. 121 in the fourth quarter of 1995. Depreciation, depletion, amortization, and retirements and abandonments for 1995 included charges of $602 million ($380 million after tax) for the impairment of long-lived assets. About $300 million of the after-tax charge relates to oil and gas producing properties in North America, most of which were acquired or developed during periods of higher price expectations. Another $42 million of the after-tax charge relates to certain unprofitable specialty polymer production facilities.

BLOUNT, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment:

These assets are stated at cost and are depreciated principally on the straight-line method over the estimated useful lives of the individual assets. Gains or losses on disposal are reflected in income. Property, plant and equipment held under leases which are essentially installment purchases are capitalized with the related obligations stated at the principal portion of future lease payments. Depreciation charged to costs and expenses was $19.8 million, $19.9 million and $20.5 million in 1995, 1994 and 1993.

Interest cost incurred during the period of construction of plant and equipment is capitalized. The interest cost capitalized on plant and equipment was minimal in 1995 and 1994 and $620 thousand in 1993.

THE CLOROX COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Property, Plant and Equipment. Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the depreciable assets.

5. Property, Plant and Equipment

The major classes are (in thousands):

	95	94
Land and improvements	$ 60,083	$ 59,005
Buildings	263,509	261,964
Machinery and equipment	534,660	495,903
Construction in progress	31,622	33,650
Total	889,874	850,522
Less accumulated depreciation	364,902	317,922
Net	$524,972	$532,600

Depreciation expense was $66,886,000 in 1995, $61,660,000 in 1994 and $51,532,000 in 1993.

RYKOFF-SEXTON, INC. (APR)

Consolidated Statements of Cash Flows

(Dollars in thousands)	1995	1994	1993
Cash flows from operating activities-			
Net income (loss)	$38,872	$5,918	$(18,960)
Adjustments to reconcile net income to net cash provided by operating activities-			
Extraordinary item	—	1,444	—
Cumulative effect of change in accounting for income taxes	—	—	(732)
Income from discontinued operations	(137)	(3,241)	(4,458)
Noncash restructuring costs	—	—	18,250
Depreciation and amortization	16,863	19,428	19,433
Gain on disposal of discontinued operations	(23,359)	—	—
Gain on sale of property, plant and equipment	(597)	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation, Amortization, Retirement and Maintenance Policies. Depreciation is provided using the straight-line method, based upon the following estimated useful lives:

Buildings and improvements	15 to 40 years
Leasehold improvements	Life of lease
Transportation equipment	3 to 8 years
Office, warehouse and manufacturing equipment	3 to 15 years
Software development costs	5 years

Cost of normal maintenance and repairs are charged to expense when incurred. Replacements or betterments of properties are capitalized. When assets are retired or otherwise disposed of, their cost and the applicable accumulated depreciation and amortization are removed from the accounts, and the resulting gain or loss is reflected in income.

Accelerated Methods

THE BOEING COMPANY (DEC)

Consolidated Statements of Cash Flows

(Dollars in millions)	1995	1994	1993
Cash flows-operating activities:			
Net earnings	$393	$856	$1,244
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Special retirement program expense	600		
Depreciation and amortization-			
Plant and equipment	976	1,081	953
Leased aircraft, other	57	61	72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Capital Assets

Property, plant and equipment are recorded at cost, including applicable construction-period interest, and depreciated principally over the following estimated useful lives: new buildings and land improvements, from 20 to 45 years; machinery and equipment, from 3 to 10 years. The principal methods of depreciation are as follows: building and land improvements, 150% declining balance; machinery and equipment, sum-of-the-years' digits.

GENERAL MOTORS CORPORATION (DEC)

(Dollars in millions)	1995	1994	1993
Net Sales and Revenues			
Manufactured products	$143,666.1	$134,759.8	$119,686.3
Financial services	11,664.0	9,418.8	8,752.0
Computer systems services	8,531.0	6,412.9	5,183.6
Other income	4,967.5	4,359.7	4,597.6
Total Net Sales and Revenues	168,828.6	154,951.2	138,219.5
Cost and Expenses			
Cost of sales and other operating charges, exclusive of items listed below	126,535.3	117,220.5	106,421.9
Selling, general, and administrative expenses	13,514.7	12,233.7	11,531.9
Interest expense	5,302.2	5,431.9	5,673.7
Depreciation of real estate, plants, and equipment (Note 1)	8,554.4	7,124.4	6,576.3
Amortization of special tools (Note 1)	3,212.0	2,900.7	2,535.3
Amortization of intangible assets	255.3	226.2	330.4
Other deductions	1,678.4	1,460.5	1,624.7
Special provision for scheduled plant closings	—	—	950.0
Total Costs and Expenses	159,052.3	146,597.9	135,644.2
Income before Income Taxes	9,776.3	8,353.3	2,575.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Depreciation and Amortization

Depreciation is provided based on estimated useful lives of groups of property generally using accelerated methods, which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives.

The cost of each leasehold improvement is amortized over the period of the lease or the life of the property, whichever is shorter, with the amortization applied directly to the asset account and charged to costs and expenses. Depreciation on capitalized leases with a term of five years or less is provided using the straight-line method; leases with a term in excess of five years are depreciated using the foregoing accelerated methods.

Expenditures for special tools are amortized over their estimated useful lives, primarily using the units of production method. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Depreciation of vehicles and other equipment on operating leases or in General Motors' use is provided generally on a straight line basis. The difference between the net book value and the proceeds of sale or salvage on items disposed of is included in income as a charge against or credit to the provision for depreciation.

Certain purchased software is being amortized over five to eight years.

Units-Of-Production Method

WESTVACO CORPORATION (OCT)

(In thousands)	1995	1994	1993
Sales	$3,272,447	$2,607,474	$2,344,560
Other income (expense)	30,297	5,686	(14,774)
	3,302,744	2,613,160	2,329,786
Cost of products sold (excludes depreciation shown separately below)	2,266,807	1,921,363	1,708,676
Selling, research and administrative expenses	235,100	201,540	207,102
Depreciation and amortization	230,306	219,282	194,994
Special charge	—	—	43,406
Interest expense	100,205	109,069	82,696
	2,832,418	2,451,254	2,236,874
Income before taxes	470,326	161,906	92,912

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Depreciation and amortization: The cost of plant and equipment is depreciated over the estimated useful lives generally by the straight-line method. For certain major projects, the units-of-production method is used until a commercial level of production is reasonably sustained. The cost of standing timber is amortized as timber is cut, at rates determined annually based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

THE TORO COMPANY (JUL)

Consolidated Statements Of Cash Flows

(Dollars in thousands)	1995	1994	1993
Cash flows from operating activities:			
Net earnings	$36,667	$22,230	$13,040
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Provision for depreciation and amortization	17,240	18,839	19,245
(Gain) loss on disposal of property, plant and equipment	(135)	1,265	1,230
Deferred income taxes	(1,282)	(2,668)	(1,547)
Tax benefits related to employee stock option transactions	1,178	953	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and Depreciation

Property, plant and equipment are carried at cost. The company provides for depreciation of plant and equipment utilizing the straight-line method over the estimated useful lives of the assets. Buildings, including leasehold improvements, are generally depreciated over 10 to 45 years, and equipment over 3 to 7 years. Tooling costs are generally amortized using the units of production method. Expenditures for major renewals and betterments which substantially increase the useful lives of existing assets are capitalized, and maintenance and repairs are charged to operating expenses as incurred. Software is expensed at the time of purchase. The cost and related accumulated depreciation of all plant and equipment disposed of are removed from the accounts, and any gain or loss from such disposal is included in current period earnings.

Production-Variable Method

THE LTV CORPORATION (DEC)

(In millions)	1995	1994	1993
Sales	$4,283.2	$4,233.3	$2,010.5
Cost and expenses			
Cost of products sold	3,620.9	3,668.6	1,817.4
Depreciation and amortization	251.9	241.8	124.4
Selling, general and administrative	142.2	133.2	63.5
Net interest and other income	(42.6)	(13.0)	0.1
Special credits	—	—	(400.6)
Total	3,972.4	4,030.6	1,604.8
Income from continuing operations before items below	310.8	202.7	405.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Property Costs and Depreciation and Amortization. Property costs were recorded at their estimated fair values at June 30, 1993. Property additions after June 30, 1993 are recorded at cost. Depreciation is computed principally using a modified straight-line method based upon estimated economic lives of assets and the levels of production providing depreciation within a range of 80% to 120% of the straight-line amount on individual major production facilities with decreased depreciation at lower and increased depreciation at higher operating levels. During each of the previous three years, depreciation expense under this method has approximated the computed straight-line amounts. In addition, a units-of-production method is used for blast furnaces.

When properties are retired or sold, their carrying value and the related allowance for depreciation are eliminated from the property and allowance for depreciation accounts, respectively. Generally, for normal retirements, gains or losses are credited or charged to allowance for depreciation accounts; for abnormal retirements, gains or losses are included in income in the year of disposal.

Depletion

ENGELHARD CORPORATION (DEC)

Consolidated Statements Of Cash Flows

(In thousands)	1995	1994	1993
Cash flows from operating activities			
Net earnings	$137,521	$117,980	$ 672
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation, depletion and amortization	65,450	69,104	68,177
Special charge (credit)	—	(8,000)	148,000
Gain on sale of investment	—	—	(10,145)
Cumulative effect of an accounting change	—	—	16,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation, Depletion and Amortization
Additions to property, plant and equipment are stated at cost. Depreciation and amortization of plant and equipment are provided primarily on a straight-line basis over the estimated useful lives of the assets. Depletion of mineral deposits and mine development are provided under the unit of production method.

When assets are sold or retired, the cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is included in earnings.

TEMTEX INDUSTRIES, INC. (AUG)

Consolidated Statements Of Cash Flows

(In thousands)	1995	1994	1993
Operating Activities			
Net Income	$489	$4,078	$1,587
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	1,509	1,074	842
Provision in lieu of income taxes	—	—	530
Deferred taxes	84	(940)	—
Extraordinary gain from utilization of operating loss carryforward	—	—	(530)
Gain on disposition of buildings and equipment	(94)	(24)	(23)
Provision for doubtful accounts	186	402	197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Property, Plant and Equipment: Property, plant and equipment are carried at cost. Capitalized leases are carried at the present value of the net fixed minimum lease commitments, as explained in Note G. Depreciation on buildings and equipment is provided using principally accelerated methods. Depletion of clay deposits and amortization of leasehold improvements and capitalized leases are computed using the straight-line method. The estimated useful lives used in computing depreciation, depletion, and amortization are:

	Years
Clay deposits	10-20
Buildings and improvements	5-30
Machinery, equipment, furniture and fixtures	3-15
Leasehold improvements	Life of lease

Expenditures for maintenance and repairs are charged to operations; betterments are capitalized.

UNION CAMP CORPORATION (DEC)

($ in thousands)	1995	1994	1993
Net sales	$4,211,709	$3,395,825	$3,120,421
Costs and other charges:			
Costs of products sold	2,729,479	2,524,844	2,360,298
Selling and administrative expenses	386,855	329,087	305,616
Depreciation and cost of company timber harvested	271,696	353,436	242,883
Other operating (income) expense	(6,423)	13,958	—
Income from operations	830,102	274,500	211,624

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

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

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

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

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

	1995	**1994**	**1993**	**1992**
Descriptive Terms				
Income taxes	560	558	554	557
Federal income taxes	29	29	25	31
United States (U.S.) income taxes	3	4	6	5
	592	591	585	593
Other or no current year amount	8	9	15	7
Total Companies	**600**	**600**	**600**	**600**

Expense Provision

DRAVO CORPORATION (DEC)

(In thousands)	1995	1994	1993
Revenue	$146,067	$278,052	$277,590
Cost of revenue	109,541	234,018	228,266
Gross profit	36,526	44,034	49,324
Selling expenses	5,009	7,116	7,602
General and administrative expenses	16,228	22,497	24,058
Earnings from operations	15,289	14,421	17,664
Other income (expense):			
Equity in earnings (loss) of joint ventures	572	1,672	(18)
Other income	182	1,088	692
Interest income	85	754	1,327
Interest expense	(4,807)	(12,408)	(9,194)
Net other expense	(3,968)	(8,894)	(7,193)
Earnings before taxes from continuing operations	11,321	5,527	10,471
Income tax expense (benefit) (Note 13)	340	597	(24,655)
Earnings from continuing operations	10,981	4,930	35,126

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes: Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits are more likely than not.

Note 13. Income Taxes

Income before taxes and provisions for income tax expense (benefit) from continuing operations at December 31 are:

(In thousands)	1995	1994	1993
Income before taxes	$11,321	$5,527	$ 10,471
Current federal income taxes	$ —	$ 350	$ —
Deferred federal income taxes	—	—	(24,853)
Current state income taxes	340	247	198
Total	$ 340	$ 597	$(24,655)

The actual income tax expense attributable to earnings from continuing operations for the years ended December 31, 1995, 1994 and 1993 differed from the amounts computed by applying the U.S. federal tax rate of 34 percent to pretax earnings from continuing operations as a result of the following:

(In thousands)	1995	1994	1993
Computed "expected" tax expense	$3,849	$1,879	$ 3,560
Alternative minimum tax	—	300	—
Percentage depletion	(992)	(1,880)	(3,374)
State income taxes, net of federal income tax benefit	224	163	131
Other items	51	135	(119)
Benefit of operating loss carryforwards	(2,792)	—	(24,853)
Provision (benefit) for income tax	$ 340	$ 597	$(24,655)

The significant components of the deferred income tax benefit attributable to income from continuing operations for the years ended December 31 are as follows:

(In thousands)	1995	1994	1993
Deferred tax (benefit) expense (exclusive of the effects of other components listed below)	$(6,058)	$1,340	$ (2,431)
Increase (decrease) in balance of the valuation allowance for deferred tax assets	6,058	(1,340)	(22,422)
Total	$ —	$ —	$(24,853)

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:

	1995	1994
Deferred tax assets:		
Provision for discontinued operations	$3,008	$7,477
Accounts receivable, principally due to allowance for doubtful accounts	302	296
Inventories, principally due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	19	215
Compensated absences, principally due to accrual for financial reporting purposes	500	745
Net operating loss carryforwards	67,229	61,713
Investment tax credit carryforwards	1,722	2,543
Other	1,022	721
Total gross deferred tax assets	73,802	73,710
Less valuation allowance	(36,381)	(30,323)
Net deferred tax assets	37,421	43,387
Deferred tax liabilities:		
Properties and equipment, principally due to depreciation	6,417	13,682
Pension accrual	6,151	4,682
Other	—	170
Total gross deferred tax liabilities	12,568	18,534
Net deferred tax asset	$24,853	$24,853

The net change in the total valuation allowance for the years ended December 31, 1995 and 1994 was an increase of $6.1 million and a decrease of $1.3 million, respectively.

The company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109), effective January 1, 1993. The statement required 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 $192.1 million at December 31, 1995, because of losses associated with discontinued businesses. These NOLs expire as follows:

(In thousands)	
2002	$18,039
2003	76,662
2004	39,012
2005	17,428
2006	7,336
2007	1,629
2008	15,031
2009	12,171
2010	4,776

Tax benefits of $4.9 million for investment tax credits expiring in 1996 and later are also being carried forward.

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 long-standing litigation between the company and the City of Long Beach, California, 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 was projected to be generated from long-term contracts. As a result, the company believed that revenue and income from its lime subsidiary could be reasonably projected over the life of its long-term contracts.

The amount of the net deferred tax asset was not adjusted in 1995. In assessing the valuation allowance, estimates were made as to the potential financial impact on the company should resolution of the remaining substantive uncertainly associated with discontinued operations substantially exceed management's estimates. The uncertainty involves the Hastings, Nebraska, environmental matter and is discussed more fully in Note 8, Contingent Liabilities. Management's position is to vigorously pursue its claims against other PRPs and to contest the 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 this matter. Also, operating profits were lower than forecasted in 1995 primarily due to higher-than-expected expenses incurred during start-up of the Black River expansion project. The lower profit, expenses related to discontinued operations and recognition for tax purposes of fees and expenses totaling $9.5 million associated with loans prepaid from funds received from the sale of Dravo Basic Materials' assets created a tax loss and generated additional NOLs.

Management believes that, with the resolution of the Black River start-up problems, the company will generate sufficient future taxable income to realize the entire deferred tax asset prior to expiration of any NOLs and that the realization of a $24.9 million net deferred tax asset is more likely than not. Income projections for the contract lime business are based on historical information adjusted for contract terms. 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 $55.5 million. There can be no assurance, however, that the company will generate any earnings or any specific level of continuing earnings.

FLOWERS INDUSTRIES, INC.(JUN)

(Amounts in thousands)	1995	1994	1993
Sales	$1,129,203	$989,782	$962,132
Other income	10,751	4,690	4,395
	1,139,954	994,472	966,527
Materials, supplies, labor and other manufacturing costs (Note 2)	599,416	525,731	493,997
Selling, delivery and administrative expenses	428,833	383,073	375,360
Depreciation and amortization	36,604	34,110	33,137
Interest	7,086	4,318	4,001
	1,071,939	947,232	906,495
Income before income taxes	68,015	47,240	60,032
Federal and state income taxes (Note 9)	25,714	17,744	20,871
Net income	$42,301	$29,496	$39,161

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates. Income tax accounting information is disclosed in Note 9 to the consolidated financial statements.

Note 9. Income Taxes

The provision for income taxes consist of the following:

	For the Year Ended		
(Amounts in thousands)	July 1, 1995	July 2, 1994	July 3, 1993
Current taxes:			
Federal	$21,886	$15,754	$18,894
State	2,723	2,643	2,103
Total	24,609	18,397	20,997
Deferred taxes:			
Federal	1,358	801	1,400
State	854	63	513
Total	2,212	864	1,913
Tax credits		(33)	
Benefit of operating loss carryforwards	(1,107)	(1,484)	(2,039)
Total	(1,107)	(1,517)	(2,039)
Provision for income taxes	$25,714	$17,744	$20,871

Deferred tax liabilities (assets) are comprised of the following:

	For the Year Ended	
(Amounts in thousands)	July 1, 1995	July 2, 1994
Depreciation	$41,776	$39,637
Other	7,267	1,450
Gross deferred tax liabilities	49,043	41,087
Self-insurance accrual	(6,587)	(6,174)
Vacation accrual	(2,184)	(2,085)
Pension accrual	(371)	(670)
Loss carryforwards	(3,329)	(3,016)
Other	(5,448)	(4,739)
Gross deferred tax assets	(17,919)	(16,684)
Deferred tax assets valuation allowance	1,659	620
	$32,783	$25,023

The net change in the valuation allowance for deferred tax assets was an increase of $1,039,000, related to operating loss carryforwards.

The provision for income taxes on income differs from the amount computed by applying the U.S. federal income tax rate (35%) because of the effect of the following items:

	For the Year Ended		
(Amounts in thousands)	July 1, 1995	July 2, 1994	July 3, 1993
Tax at U.S. federal income tax rate	$23,805	$16,534	$20,410
State income taxes, net of U.S. federal income tax benefit	2,325	1,759	1,727
Benefit of operating loss carryforwards	(1,107)	(1,484)	(2,039)
Tax credits		(33)	
Retroactive rate increase		894	
Other	691	74	773
Provision for income taxes	$25,714	$17,744	$20,871

The Omnibus Budget Reconciliation Act of 1993 (the "1993 Act"), enacted on August 10, 1993, increased the Company's statutory federal tax rate from 34% to 35% and further limited the deductibility of meals and entertainment expenses. These changes resulted in a $1,356,000, or $.04 per share charge for the year ended July 2, 1994, of which $894,000, or $.02 per share was due to an increase of the Company's deferred tax liability account balance and the retroactive provision of the increase in the statutory federal tax rate.

The amount of federal operating loss carryforwards generated by certain subsidiaries prior to their acquisition is $5,277,000 with expiration dates through the fiscal year 2009. The use of pre-acquisition operating losses and tax credit carryforwards is subject to limitations imposed by the Internal Revenue Code. The Company does not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. Various subsidiaries have state operating loss carryforwards of $42,096,000 with expiration dates through the fiscal year 2009.

GENERAL SIGNAL CORPORATION (DEC)

(In millions)	1995	1994	1993
Net sales	$1,863.2	$1,527.7	$1,354.2
Cost of sales	1,308.0	1,109.5	959.0
Selling, general and administrative expenses	354.4	292.3	259.3
Transaction and consolidation charges	20.1	—	13.2
Merger break-up fee and other special items	—	(46.2)	(33.0)
Total operating costs and expenses	1,682.5	1,355.6	1,198.5
Operating earnings	180.7	172.1	15.7
Interest expense, net	24.3	11.8	16.6
Earnings from continuing operations before income taxes	156.4	160.3	139.1
Income taxes	56.3	56.2	41.0
Earnings from continuing operations	100.1	104.1	98.1

NOTES TO THE FINANCIAL STATEMENTS
(Dollars in millions)

Income Taxes

For financial reporting purposes, earnings from continuing operations before income taxes includes the following components:

Year ended December 31,	1995	1994	1993
Pretax income:			
United States	$151.5	$159.3	$137.9
Foreign	4.9	1.0	1.2
	$156.4	$160.3	$139.1

The reconciliation of income tax from continuing operations computed at the U.S. federal statutory tax rate to the company's effective income tax rate is as follows:

Year ended December 31,	1995	1994	1993
Tax at U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of U.S. federal benefit	5.5	3.4	2.7
Foreign sales corporation	(1.7)	(1.4)	(1.5)
Goodwill amortization	2.1	1.0	1.3
Income from Puerto Rican operations	(0.7)	(0.8)	(0.7)
Foreign rates and foreign dividends	(1.4)	(1.1)	(0.9)
Reduction in valuation allowance	(4.5)	—	—
Effect of enacted U.S. federal rate change on deferred taxes	—	—	(2.0)
Adjustments to prior years' tax liabilities	—	—	(2.6)
Other	1.7	(1.1)	(1.8)
	36.0%	35.0%	29.5%

The components of the provision for income taxes are as follows:

Year ended December 31,	1995	1994	1993
Current:			
Federal	$14.2	$11.5	$ (1.1)
Foreign	3.4	4.6	(0.4)
State	6.7	3.3	0.5
Total current	24.3	19.4	(1.0)
Deferred:			
Federal	(6.5)	51.5	9.9
Foreign	(2.6)	0.4	(0.9)
State	5.2	9.5	3.0
Total deferred	(3.9)	61.4	12.0
	$20.4	$80.8	$11.0

Income tax expense is included in the financial statements as follows:

Year ended December 31,	1995	1994	1993
Continuing operations	$56.3	$56.2	$41.0
Discontinued operations	(35.9)	24.6	(13.2)
Extraordinary charge	—	—	(4.1)
Cumulative effect of accounting change	—	—	(12.7)
	$20.4	$80.8	$11.0

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:

December 31,	1995	1994
Deferred tax assets:		
Acquired tax benefits and basis differences	$ 45.1	$ 52.0
Other postretirement and postemployment benefits	63.6	70.0
Losses on dispositions and restructuring	22.4	21.0
Inventories	15.7	15.1
NOL and credit carryforwards	42.9	46.0
Other	34.2	24.1
Total deferred tax assets	223.9	228.2
Valuation allowance	(33.6)	(43.2)
Net deferred tax assets	190.3	185.0
Deferred tax liabilities:		
Accelerated depreciation	32.5	28.8
Pension credits	36.2	34.0
Reliance gain	19.8	19.8
Discontinued operations	—	23.0
Other	18.7	16.1
Total deferred tax liabilities	107.2	121.7
	$ 83.1	$ 63.3

Realization of deferred tax assets associated with the NOL and credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. Management believes that there is a risk that certain of these NOL and credit carryforwards may expire unused and, accordingly, has established a valuation allowance against them. Although realization is not assured for the remaining deferred tax assets, management believes it is more likely than not that they will be realized through future taxable earnings or alternative tax strategies. However, the net deferred tax assets could be reduced in the near term if management's estimates of taxable income during the carryforward period are significantly reduced or alternative tax strategies are no longer viable. In the event that the tax benefits relating to the valuation allowance are realized, $1.0 of such benefits would reduce goodwill.

At December 31, 1995, the following net federal operating loss and tax credit carryforwards are available:

Expiration Dates	Operating Losses	Tax Credits
1996-1997	$ —	$14.3
1998-1999	2.7	14.4
2000-2001	35.1	—
2002-2003	11.4	—
No expiration	—	0.6

Undistributed earnings of the company's foreign subsidiaries amounted to approximately $60.8 at December 31, 1995. Those earnings are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. Upon distribution of those earnings, the company would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, unrecognized foreign tax credit carryovers would be available to reduce some portion of the U.S. liability. Withholding taxes of approximately $5.3 would be payable upon remittance of all previously unremitted earnings at December 31, 1995.

HEWLETT-PACKARD COMPANY (OCT)

(In millions)	1995	1994	1993
Net revenue:			
Products	$27,125	$21,380	$17,122
Services	4,394	3,611	3,195
Total net revenue	31,519	24,991	20,317
Costs and expenses:			
Cost of products sold	17,069	13,012	10,021
Cost of services	2,945	2,478	2,102
Research and development	2,302	2,027	1,761
Selling, general and administrative	5,635	4,925	4,554
Total costs and expenses	27,951	22,442	18,438
Earnings from operations	3,568	2,549	1,879
Interest income and other, net	270	29	25
Interest expense	206	155	121
Earnings before taxes	3,632	2,423	1,783
Provision for taxes	1,199	824	606
Net earnings	$2,433	$1,599	$1,177

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Taxes on earnings. Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

Taxes on Earnings.
The provision for income taxes is comprised of:

(In millions)	1995	1994	1993
U.S. federal taxes:			
Current	$642	$511	$330
Deferred	(87)	(156)	(46)
Non-U.S. taxes:			
Current	609	441	381
Deferred	(15)	—	(91)
State taxes	50	28	32
	$1,199	$824	$606

The significant components of deferred tax assets, which required no valuation allowance, and deferred tax liabilities included on the balance sheet at October 31 are:

	1995		1994	
(In millions)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory	$ 381	$ 50	$329	$ 28
Fixed assets	110	10	61	12
Retiree medical benefits	248	—	243	—
Other retirement benefits	—	111	—	113
Employee benefits, other than retirement	130	42	90	20
Leasing activities	—	86	—	79
Other	325	228	254	198
	$1,194	$527	$977	$450

Tax benefits of $91 million, $41 million and $35 million associated with the exercise of employee stock options were allocated to equity in 1995, 1994 and 1993, respectively.

The company's average U.S. statutory tax rate was 35 percent in 1995 and 1994 and 34.8 percent in 1993. These rates reflect the increase resulting from legislation enacted in August 1993, which was effective January 1, 1993. The effect of this increase on the company's deferred tax assets and liabilities was not material.

The differences between the U.S. federal statutory income tax rate and the company's effective rate are:

	1995	1994	1993
U.S. federal statutory income tax rate	35.0%	35.0%	34.8%
State income taxes, net of federal tax benefit	0.9	0.8	1.1
Lower rates in other jurisdictions, net	(5.0)	(4.8)	(3.1)
Other, net	2.1	3.0	1.2
	33.0%	34.0%	34.0%

After allocating eliminations and corporate items, earnings before taxes are:

(In millions)	1995	1994	1993
U.S. operations including Puerto Rico	$1,548	$915	$818
Non-U.S.	2,084	1,508	965
	$3,632	$2,423	$1,783

The company has not provided for U.S. federal income and foreign withholding taxes on $3.0 billion of non-U.S. subsidiaries' undistributed earnings as of October 31, 1995, because such earnings are intended to be reinvested indefinitely. If these earnings were distributed, foreign tax credits should become available under current law to reduce or eliminate the resulting U.S. income tax liability. Where excess cash has accumulated in the company's non-U.S. subsidiaries and it is advantageous for tax or foreign exchange reasons, subsidiary earnings are remitted.

As a result of certain employment and capital investment actions undertaken by the company, income from manufacturing activities in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, for years through 2010. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be $168 million, $163 million and $128 million for 1995, 1994 and 1993, respectively.

The Internal Revenue Service (IRS) has completed its examination of the company's federal income tax returns filed through 1983. The IRS has not commenced its examination of returns for years subsequent to 1992. The company believes that adequate accruals have been provided for all years.

INTERFACE, INC.(DEC)

(In thousands)	1995	1994	1993
Net Sales	$802,066	$725,283	$625,067
Cost of sales	551,643	504,098	427,321
Gross profit on sales	250,423	221,185	197,746
Selling general and administrative expenses	188,880	170,375	151,576
Operating income	61,543	50,810	46,170
Other expense			
Interest expense	26,753	24,094	22,840
Other	3,114	1,003	2,026
Total other expense	29,867	25,097	24,866
Income before taxes on income and extraordinary item	31,676	25,713	21,304
Taxes on income	11,336	9,257	7,455
Income before extraordinary item	20,340	16,456	13,849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Taxes on Income

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax laws or rates.

Note 13. Taxes on Income

Provisions for federal, foreign and state income taxes in the consolidated statements of income consisted of the following components:

	Fiscal Year Ended		
(In thousands)	12/31/95	1/1/95	1/2/94
Current:			
Federal	$ 5,331	$4,878	$6,115
Foreign	5,844	4,660	6,028
State	1,592	1,713	1,165
	12,767	11,251	13,308
Deferred (reduction):			
Federal	1,495	(445)	(1,271)
Foreign	(1,189)	(2,522)	(4,757)
State	(316)	(875)	(242)
	(10)	(3,842)	(6,270)
Increase (decrease) in valuation allowance	(1,421)	1,848	417
	$11,336	$9,257	$7,455

Income before taxes on income consisted of the following:

(In thousands)	Fiscal Year Ended 12/31/95	1/1/95	1/2/94
U.S. Operations	$20,212	$18,072	$17,717
Foreign Operations	11,464	7,641	3,587
	$31,676	$25,713	$21,304

Deferred income taxes for the years ended December 31, 1995 and January 1, 1995, 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 sources of the temporary differences and their effect on the net deferred tax liability at December 31, 1995 and January 1, 1995, are as follows:

	12/31/95		1/1/95	
(In thousands)	Assets	Liabilities	Assets	Liabilities
Basis difference of property and equipment	$ —	$19,607	$ —	$17,761
Net operating loss carryforwards	8,015	—	12,720	—
Other basis difference of assets and liabilities	4,391	—	4,252	—
Valuation allowance	—	—	(5,007)	—
	$12,406	$19,607	$11,965	$17,761

During the year ended December 31, 1995, the valuation allowance decreased approximately $5.0 million. Approximately $3.6 million of the reduction was associated with the elimination of net operating loss carryforwards upon the completion of the liquidation of one of the Company's foreign subsidiaries. The Company also reduced the allowance approximately $1.4 million due to changes in foreign tax laws and changes in economic circumstances which made the utilization of net operating loss carryforwards more likely than not in certain foreign countries. For the year ended January 1, 1995, the valuation allowance increased approximately $1.8 million. At December 31, 1995, the Company's foreign subsidiaries had approximately $18.4 million in net operating losses available for carryforward. Of this amount, $17.1 million is available for an unlimited period while $1.3 million expires at various times through 1999. Additionally, the Company had approximately $39.4 million in state net operating losses expiring at various times through 2009.

The effective tax rate on income before taxes differs from the United States statutory rate. The following summary reconciles taxes at the United States statutory rate with the effective rates:

(In thousands)	Fiscal Year Ended 12/31/95	1/1/95	1/2/94
Taxes on income at U.S. statutory rate	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal benefit	2.6	2.2	2.8
Amortization of excess of cost over net assets acquired and related purchase accounting adjustments	3.6	4.5	3.9
Foreign and U.S. tax effects attributable to foreign operations	0.1	(6.9)	(5.4)
Valuation allowance	(4.5)	2.2	0.2
Other	(1.0)	(1.0)	(1.5)
Taxes on income at effective rates	35.8%	36.0%	35.0%

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $45.9 million at December 31, 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 $3.1 million would be payable upon remittance of all previously unremitted earnings at December 31, 1995.

Credit Provision

CMI CORPORATION (DEC)

(In thousands)	1995	1994	1993
Net revenues	$130,578	$128,005	$100,564
Costs and expenses:			
Cost of revenues	91,915	87,744	70,172
Marketing and administrative	21,239	19,738	15,698
Engineering and product development	5,681	5,491	4,490
Interest expense	3,166	2,712	2,487
Interest income	(568)	(580)	(362)
Other income, net	(172)	(254)	(265)
	121,261	114,851	92,220
Earnings before income taxes	9,317	13,1534	8,344
Income tax expense (benefit)	(8,184)	(9,464)	312
Net earnings	$17,501	$22,618	$8,032

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes

Income taxes are accounted for using the asset and liability method under which 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 effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date.

7. Income Taxes

Income tax expense (benefit) consisted of the following (in thousands):

	1995	1994	1993
Current tax expense	$ 616	$ 536	$312
Deferred tax benefit	(8,800)	(10,000)	—
	$(8,184)	$(9,464)	$312

The deferred tax benefit in 1995 and 1994 consisted of a reduction of the beginning-of-the-year valuation allowance of $12,479,000 and $14,957,000 respectively, offset by a deferred tax expense of $3,679,000 and $4,957,000, respectively.

Income tax expense (benefit) differed from the amounts computed by applying the U.S. federal income tax rates of 35% and 34% to pretax income from continuing operations in 1995, 1994 and 1993, respectively, as a result of the following (in thousands):

	1995	1994	1993
Computed expected tax expense	$3,261	4,604	2,837
State income taxes	380	530	—
Reduction of valuation allowance	(12,479)	(14,957)	—
Use of net operating loss carryforwards	—	—	(3,197)
Other, net	654	359	672
	$(8,184)	(9,464)	312

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1995 and 1994, are as follows (in thousands):

	1995	1994
Net operating loss and other carryforwards	$16,932	$12,782
Income tax basis in excess of financial basis of solid waste disposal facility	—	7,422
Other, net	4,074	4,678
Deferred tax assets	21,006	24,882
Deferred tax liability (plant and equipment)	(1,538)	(1,735)
	19,468	23,147
Less valuation allowance	668	13,147
Net deferred tax asset	$18,800	$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 at December 31, 1994. During 1995, the company reduced the valuation allowance to recognize a deferred tax asset of $18.8 million at December 31, 1995. 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 $45 million to $50 million in future years. The estimated taxable loss for 1995 was approximately $10 million. This differs from earnings before income taxes as a result of realizing a loss on the sale of CMI Energy Conversion Systems, Inc. (CMI Energy) for tax purposes. The loss was recognized for financial reporting purposes in prior years when the assets of CMI Energy were reduced to estimated realizable value. 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 the $18,800,000 of deferred tax assets will be realized. The remaining valuation allowance of approximately $700,000 is maintained against deferred tax assets which the company has not determined to be more likely than not realizable at this time.

At December 31, 1995, the company had a tax net operating loss carryforward of approximately $34,237,000 for federal income tax purposes. Such carryforwards, which may provide future tax benefits, expire as follows: $5,727,000 in 1999, $186,000 in 2001, $4,932,000 in 2004, $8,272,000 in 2005, $4,810,000 in 2006, and $10,310,000 in 2010. 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).

DUPLEX PRODUCTS INC.(OCT)

(In thousands)	1995	1994	1993
Net sales	$275,728	$265,791	$258,867
Cost of goods sold	210,931	204,062	194,977
Gross profit	64,797	61,729	63,890
Selling, general, and administrative expenses	68,733	66,020	61,039
Restructuring costs	—	10,500	1,500
Operating profit (loss)	(3,936)	(14,791)	1,351
Other income (expense)			
Interest expense	(517)	(469)	(590)
Investment income	796	491	632
Other	615	22	838
	894	44	880
Earnings (loss) before income taxes and accounting changes	(3,042)	(14,747)	2,231
Provision for income taxes (credits)	(1,170)	(5,704)	777
Earnings (loss) before accounting changes	(1,872)	(9,043)	1,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 9. Income Taxes

Provision for Income Taxes (Credits)

For years ended	Oct. 28, 1995	Oct. 29, 1994	Oct. 30, 1993
Current			
Federal	$(732)	$(3,203)	$(427)
State	(388)	55	(206)
Puerto Rico	—	47	25
	(1,120)	(3,101)	(608)
Deferred			
Federal	(39)	(2,017)	1,074
State	(11)	(586)	311
	(50)	(2,603)	1,385
	$(1,170)	$(5,704)	$777

SFAS No. 109, "Accounting for Income Taxes," was adopted in November 1992.

For years ended	Oct. 28, 1995	Oct. 29, 1994
Deferred tax assets		
Accounting change	$ —	$ 4,723
Loss carry-forward	5,839	—
Restructuring costs	1,193	3,283
Insurance	460	320
Vacation pay	536	584
Inventory obsolescence	447	540
Inventory capitalization	680	—
Other	676	795
	9,831	10,245
Restructuring costs classified as other assets	1,000	1,000
	$10,831	$11,245
Deferred tax liabilities		
Depreciation	$ 4,898	$ 4,882
Compensation costs	(997)	(964)
Other	(217)	270
	$ 3,684	$ 4,188

The effective tax rate for 1995, 1994, and 1993 was (38.5)%, (38.7)%, and 34.8%, respectively. Reconciliation of the U.S. federal statutory rate (34.0)% with the effective tax rate appears in the following table.

	Oct. 28, 1995	Oct. 29, 1994	Oct. 30, 1993
Provision for income taxes (credits) at U.S. federal statutory rate	$(1,034)	$(4,980)	$758
Increase (decrease) in taxes			
State taxes, net of federal benefits	(256)	(510)	171
Investment tax credit	(41)	(94)	(122)
Other	161	(120)	(30)
	$(1,170)	$(5,704)	$777

The Company expects to have available net operating loss carry-forwards of $14,598 to apply against future taxable income. These loss carry-forwards will expire in October 2010. Based on the Company's historical taxable income record, when adjusted for non-recurring items such as accounting changes are restructuring charges, and estimates of future profitability, management has concluded that operating income will more likely than not be sufficient to give rise to tax expense to cover all deferred tax assets.

KERR-McGEE CORPORATION (DEC)

(In millions of dollars)	1995	1994	1993
Sales	$1,801	$1,612	$1,481
Costs and Expenses			
Costs and operating expenses	999	919	803
Selling, general, and administrative expenses	87	100	84
Depreciation and depletion	310	300	277
Asset impairment	227	—	—
Exploration, including dry holes and amortization of undeveloped leases	92	85	71
Provision for environmental reclamation and remediation of inactive sites, net of reimbursements	54	10	4
Taxes, other than income taxes	61	65	69
Interest and debt expense	61	58	47
Total Costs and Expenses	1,891	1,537	1,355
	(90)	75	126
Other Income	23	23	19
Income (Loss) from Continuing Operations before Income Taxes	(67)	98	145
Provision (Benefit) for Income Taxes	(43)	29	50
Income (Loss) from Continuing Operations	(24)	69	95

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Income Taxes

Deferred income taxes are provided to reflect the future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

14. Income Taxes

The taxation of a company that has operations in several countries involves many complex variables, such as differing tax structures from country to country and the effect on U.S. taxation of international earnings. These complexities do not permit meaningful comparisons between the domestic and international components of income before income taxes and the provision for income taxes, and disclosures of these components do not provide indicators of relationships in future periods.

Income (loss) from continuing operations before income taxes is composed of the following:

(In millions of dollars)	1995	1994	1993
Domestic	$(103)	$56	$147
International	36	42	(2)
Total	$(67)	$98	$145

Effective January 1, 1995, the income tax rate in Australia increased from 33% to 36%. The deferred income tax balances were adjusted to reflect this revised rate, which decreased the international deferred provision for income taxes by $2 million. During 1993, legislation was enacted that, among other things, increased the U.S. Federal income tax rate by 1% effective January 1, 1993. Also during 1993, the income tax rate in Australia was reduced from 39% to 33%. The deferred income tax balances were adjusted to reflect these revised rates, which increased the 1993 U.S. Federal deferred provision by $2 million and decreased the international deferred benefit by $3 million. The 1995, 1994, and 1993 provision (benefit) for income taxes on income from continuing operations is summarized below:

(In millions of dollars)	1995	1994	1993
U.S. Federal:			
Current	$ (2)	$ 10	$ 15
Deferred	(63)	(1)	24
	(65)	9	39
International:			
Current	9	16	20
Deferred	9	2	(13)
	18	18	7
State	4	2	4
Total	$(43)	$29	$50

The net deferred tax asset shown in the following table represents the net deferred taxes in certain foreign tax jurisdictions, which is classified as Investments and Other Assets in the Consolidated Balance Sheet. At December 31, 1995, the net deferred tax asset includes the benefit for $78 million in net operating loss carryforwards that have no expiration dates. Realization is dependent on generating sufficient taxable income. Although realization is not assured, the company believes it is more likely than not that all of the net deferred tax asset will be realized.

At December 31, 1995, the company had additional foreign net operating loss carryforwards totaling $123 million that also have no expiration dates. These loss carryforwards offset a portion of the foreign net deferred tax liability.

Deferred tax liabilities (assets) at December 31, 1995 and 1994, are composed of the following:

(In millions of dollars)	1995	1994
Net deferred tax liability:		
Accelerated depreciation	$250	$362
Exploration and development	69	65
Undistributed earnings of foreign subsidiaries	29	29
Postretirement benefits	(48)	(44)
Dismantlement, reclamation, remediation	(128)	(109)
Foreign operating loss carryforwards	(40)	(81)
Other	(27)	(43)
	105	179
Net deferred tax asset:		
Accelerated depreciation	8	9
Foreign operating loss carryforward	(28)	(38)
Other	(1)	5
	(21)	(24)
Total deferred taxes	$ 84	$155

In the following table, the U.S. Federal income tax rate is reconciled to the company's effective tax rates for income from continuing operations as reflected in the Consolidated Statement of Income.

	1995	1994	1993
U.S. statutory rate	(35.0)%	35.0%	35.0%
Increases (decreases) resulting from —			
Statutory depletion in excess of cost depletion	(10.7)	(4.8)	(4.0)
Taxation of foreign operations	(2.1)	(.7)	3.1
State income taxes	(2.2)	2.5	3.4
Adjustment of prior years' accruals	(2.1)	—	(5.0)
Federal income tax credits	(4.2)	(1.5)	(1.7)
Dividends paid on employee stock ownership plan	(2.1)	(1.4)	(1.0)
Foreign equity income	(2.7)	—	.9
Adjustment of deferred tax balances due to tax rate changes	(3.1)	—	3.9
Other—net	.1	.3	.1
Total	$(64.1)%	29.4%	34.7%

The Internal Revenue Service has examined the company's Federal income tax returns for all years through 1992, and the years have been closed through 1983. The company believes that it has made adequate provision for income taxes that may become payable with respect to open tax years.

POLAROID CORPORATION (DEC)

(In millions)	1995	1994	1993
Net sales			
United States	$1,019.0	$1,160.3	$1,178.8
International	1,217.9	1,152.2	1,066.1
Total net sales	2,236.9	2,312.5	2,244.9
Cost of goods sold	1,298.6	1,324.2	1,296.5
Marketing, research, engineering and administrative expenses (Note 2)	849.1	788.0	763.0
Restructuring and other (Note 2)	247.0	—	44.0
Total costs	2,394.7	2,112.2	2,103.5
Income (Loss) from operations	(157.8)	200.3	141.4
Other income/(expense):			
Interest income	8.7	9.7	7.7
Other	(.2)	(2.7)	.5
Total other income	8.5	7.0	8.2
Interest expense	52.1	46.6	47.9
Earnings/(loss) before income tax expense/(benefit) and cumulative effect of changes in accounting principle	(201.4)	160.7	101.7
Federal, state and foreign income tax expense/(benefit) (Note 4)	(61.2)	43.5	33.8
Earnings/(loss) before cumulative effect of changes in accounting principle	(140.2)	117.2	67.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes:
Amounts in the financial statements related to income taxes are calculated using the principles of Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" (FAS 109). Under FAS 109, prepaid and deferred taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes as well as tax credit carryforwards and loss carryforwards. These deferred taxes are measured by applying currently enacted tax rates. A valuation allowance reduces deferred tax assets when it is "more likely than not" that some portion or all of the deferred tax assets will not be realized.

Provision for U.S. income taxes on the undistributed earnings of foreign subsidiaries is made only on those amounts in excess of the funds considered to be permanently reinvested.

4. Income Taxes

As of January 1, 1993, the Company adopted Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" (FAS 109). The favorable cumulative adjustment of $33.6 million in 1993 was the result of recognizing the tax benefit of future deductions based upon a "more likely than not criterion," instead of the more stringent criteria of Financial Accounting Standards Board Statement No. 96 "Accounting for Income Taxes", the Company's previous standard of accounting for income taxes.

An analysis of income tax expense/(benefit) follows:

(In millions) 1995	Current	Deferred	Total
Federal	$ .9	$(68.4)	$(67.5)
State	.3	(7.5)	(7.2)
Foreign	17.7	(4.2)	13.5
Total	$18.9	$(80.1)	$(61.2)
1994			
Federal	$ 3.3	$ 2.6	$ 5.9
State	1.7	.5	2.2
Foreign	35.6	(.2)	35.4
Total	$40.6	$ 2.9	$ 43.5
1993			
Federal	$(6.0)	$ (7.6)	$(13.6)
Statutory Rate Change	—	(3.3)	(3.3)
State	.9	(2.6)	(1.7)
Foreign	58.2	(5.8)	52.4
Total	$53.1	$(19.3)	$ 33.8

Prepaid income taxes and deferred income taxes result from future tax benefits and expenses related to the difference between the tax basis of assets and liabilities and the amounts reported in the financial statements. These differences predominately relate to U.S. operations. Carryforwards, tax overpayments and refunds due are also included in prepaid income taxes. The net of deferred income tax assets and deferred income tax liabilities reflected on the consolidated balance sheet was a net asset of $249.2 million and $156.6 million as of December 31, 1995 and 1994, respectively. Significant components of those amounts shown on the balance sheet as of December 31 were as follows:

(In millions)	1995	1994
Deferred tax assets:		
Property, plant and equipment and trademarks	$ (11.3)	$ (35.1)
Inventory	53.1	43.0
Compensation and benefits	52.7	23.2
Postretirement and postemployment benefits	125.4	119.8
Loss and credit carryforwards	40.1	9.0
All other	21.5	10.1
Subtotal	281.5	170.0
Valuation allowance	(23.2)	(7.5)
Total deferred tax assets	$258.3	$162.5
Deferred tax liabilities:		
Property, plant and equipment and trademarks	$3.4	$2.7
Compensation and benefits	4.7	1.4
All other	1.0	1.8
Total deferred tax liability	9.1	5.9
Net deferred tax asset	$249.2	$156.6

Valuation allowances of $23.2 million and $7.5 million as of December 31, 1995 and 1994, respectively, were established for the prepaid taxes related to foreign tax credits and to capital losses. Foreign tax credits may be used to offset the U.S. income taxes due on income earned from foreign sources. However, the credit is limited by the total income included on the U.S. income tax return as well as the ratio of foreign source income to total income. Excess foreign tax credits may be carried back two years and forward five years. As of December 31, 1995, the Company did not believe it was more likely than not that it would generate sufficient U.S. sourced income within the appropriate period to utilize all the foreign tax credits.

Capital losses may be used only to offset capital gains. Capital losses may be carried back three years and forward five years. Historically, the Company has generated limited capital gains. Therefore, as of December 31, 1995, the Company did not believe it was more likely than not that it would generate sufficient capital gains within the appropriate time period to offset those capital losses. However, the Company intends to sell approximately $50 million of real estate in the next twelve to eighteen months. Therefore, if sufficient gains are realized from those sales, a significant portion of the benefit

related to the capital loss carryforward may be realized within the carryforward period. Those temporary differences which most likely will produce capital losses upon reversal also have been treated as capital losses.

Management believes the Company will obtain the full benefit of other deferred tax assets on the basis of its evaluation of the Company's anticipated profitability over the period of years that the temporary differences are expected to become tax deductions. It believes that sufficient book and taxable income will be generated to realize the benefit of these tax assets. This assessment of profitability takes into account the Company's present and anticipated split of domestic and international earnings and the fact that the temporary differences related to postretirement and other postemployment benefits are deductible over a period of 30 to 40 years.

Management considered that as of December 31, 1995, the Company elected to carry forward the current net operating loss of $35.2 million in the U.S. The Company has a foreign tax credit carryforward of $16.4 million (against which, there is a full valuation allowance) and an alternative minimum tax credit carryforward of $3.2 million as of December 31, 1995. The net operating loss expires in 2010; the foreign tax credit expires in 2000. The alternative minimum tax credit does not expire. Management also considered that historically the Company has not had net operating losses in the U.S. Of course, there can be no assurance that the Company will generate any specific level of continuing earnings or where earnings will be generated.

For alternative minimum tax purposes, the Company had a foreign tax credit carryforward as of December 31, 1995 of $53.4 million; $3.9 million expires in 1996, $6.6 million expires in 1997, $21.5 million expires in 1998, $6.1 million expires in 1999, and $15.3 million expires in 2000.

An analysis of earnings/(loss) before income tax expense/(benefit) and cumulative effect of changes in accounting principle follows:

(In millions)	1995	1994	1993
Domestic	$(236.8)	$44.6	$11.2
Foreign	35.4	116.1	90.5
Total	$(201.4)	$160.7	$101.7

A reconciliation of differences between the statutory U.S. federal income tax rate and the Company's effective tax rate follows:

	1995	1994	1993
U.S. statutory rate	35.0%	35.0%	35.0%
State taxes	2.3	.4	.5
Impact of statutory rate change on deferred taxes	—	—	(3.3)
Valuation allowance change	(7.8)	(.5)	(1.6)
Tax effect resulting from foreign activities	.5	(4.8)	3.9
Other	.4	(3.0)	(1.2)
Effective tax rate	30.4%	27.1%	33.3%

The tax effect resulting from foreign activities includes the effect of remeasuring foreign currency. The impact on the tax rate for 1995 was an increase of 2.1 percentage points, a decrease of 5.2 percentage points for 1994, and an increase of 7.9 percentage points for 1993.

Undistributed earnings of foreign subsidiaries held for reinvestment in overseas operations amounted to $436.3 million at December 31, 1995. Additional U.S. income taxes may be due upon remittance of those earnings (net of foreign tax reductions because of the distribution), but is is impractical to determine the amount of any such additional taxes. If all those earnings were distributed as dividends, foreign withholding taxes of approximately $22.9 million would be payable.

Federal income tax returns of the Company for all years through 1988 have been closed and all matters have been resolved. The Federal income tax returns for 1989 through 1991 have been audited. Certain proposed adjustments have been appealed by the Company. Regardless of the outcome of the appeal, it will not have a material adverse impact upon the financial statements of the Company.

No Provision

ACTION INDUSTRIES, INC. (JUN)

(In thousands)	1995	1994	1993
Net Sales	$45,088	$60,049	$76,684
Costs and Expenses			
Cost of products sold	34,374	44,527	62,725
Operating expenses	12,461	13,245	18,207
Interest expense	1,834	2,072	2,197
Restructuring costs	—	—	5,123
	48,669	59,844	88,252
Other Income (Expense), Net	674	(77)	1,178
Earnings (Loss) From Continuing Operations Before Income Taxes	(2,907)	128	(10,390)
Provisions For Income Taxes	—	—	—
Earnings (Loss) From Continuing Operations	(2,907)	128	(10,390)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes: The Company accounts for income tax expense and liabilities under the liability method. Deferred income taxes are provided for temporary differences between financial and income tax reporting, relating principally to restructuring charges, reserves for losses on investments and other assets, depreciation, deferred compensation and sale/leaseback transaction. The Company adopted the provisions of FASB Statement No. 109 "Accounting for Income Taxes" in 1993, which had no effect on the financial statements.

Note E. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes. Significant components of the Company's deferred income tax liabilities and assets are as follows:

	1995	1994
Deferred Tax Assets:		
Deferred tax benefits associated with losses provided for restructuring, discontinued operations and other asset valuation allowances	$ 4,085,000	$ 4,197,000
Deferred gain on sale/leaseback	1,865,000	2,141,000
Net operating loss carryforwards	7,480,000	6,724,000
Alternative minimum tax credit	805,000	805,000
	14,235,000	13,867,000
Deferred Tax Liabilities:		
Excess tax depreciation over book	1,454,000	1,229,000
Change from LIFO to FIFO	1,027,000	1,284,000
	2,481,000	2,513,000
Net deferred tax asset	11,754,000	11,354,000
Valuation allowance	11,754,000	11,354,000
Net Deferred Tax Asset Reported	$ —	$ —

The income tax provision (benefit) consists of the following (in thousands):

	1995	1994	1993
Current:			
Federal	$—	$—	$(1,028)
State	—	—	—
Deferred:			
Federal	—	—	1,028
State	—	—	—
	—	—	1,028
	$—	$—	$ —

The deferred income tax provision for 1993 was comprised of realization of deferred tax benefits previously provided, in the amount of $1,028,000.

The reconciliation of the effective income tax rate to the Federal statutory rate is as follows:

	1995	1994	1993
Federal income tax rate	(34.0)%	34.0%	(34.0)%
Deferred tax charge (credit)	—	—	—
Effect of net operating loss carryforward and valuation allowance	34.0%	(34.0)%	34.0%
State income tax, net of Federal benefit	—	—	—
Other	—	—	—
Effective income tax rate	0.0%	0.0%	0.0%

The Company has net operating loss carryforwards available for income tax reporting purposes of approximately $19 million expiring in 2008 through 2010 which, upon recognition, based on current tax rates, may result in future tax benefits of approximately $7.5 million. The Company made no tax payments during the years ended June 24, 1995, June 25, 1994 and June 26, 1993.

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.

AMGEN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes

At December 31, 1995, the Company had operating loss carryforwards available to reduce future federal taxable income which expire as follows (in millions):

1997-2002	$ 0.9
2003-2006	19.9
2007	26.7
2008	81.2
2009	81.9
	$210.6

These operating loss carryforwards relate to the acquisition of Synergen (Note 2). Utilization of these operating loss carryforwards is limited to approximately $16.0 million per year.

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Taxes On Income

At December 31, 1995, the Company had $548.1 million of net operating loss carryforwards which expire, if unused, in years 2006 through 2010 and $12.3 million of alternative minimum tax credits ($5.8 million related to SPCC) which are not subject to expiration. The Company believes that, except as to the SPCC credits, these carryforwards will be available to reduce future federal income tax liabilities and has recorded the tax benefit of these carryforwards as noncurrent deferred tax assets. The Company's net operating loss carryforwards for state purposes are not significant and, therefore, have not been recorded as deferred tax assets.

At December 31, 1995, the foreign tax credit carryforwards available to reduce possible future U.S. income taxes amounted to approximately $87.3 million, of which $80.8 million is available solely to SPCC and $6.5 million solely to Asarco. Of the $87.3 million, $15.8 million expires in 1996, $20.5 million expires in 1998, $24.9 million expires in 1999, and $26.1 million expires in 2000. Because of both the expiration dates and the rules governing the order in which such credits are taken, it is unlikely that these excess foreign tax credits will be utilized. Accordingly, the Company has not recorded the benefit of any foreign tax credit carryforwards.

ENGELHARD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes

As of December 31, 1995, the Company had approximately $16.9 million of nonexpiring alternative minimum tax credit carryforwards and approximately $5.0 million of research and development credits with expiration dates through 2010 available to offset future U.S. Federal income taxes. Also, as of December 31, 1995, the Company had approximately $11.0 million of foreign nonexpiring net operating loss carryforwards and approximately $6.0 million of foreign investment tax credits expiring in 2000 available to offset certain future foreign income taxes. Management believes that the Company will generate sufficient taxable earnings and tax planning opportunities to ensure realization of these tax benefits.

INLAND STEEL INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Income Taxes

For tax purposes, the Company had available, at December 31, 1995, net operating loss ("NOL") carryforwards for regular federal income tax purposes of approximately $800 million which will expire as follows: $67 million in the year 2005, $313 million in the year 2006, $280 million in the year 2007, $132 million in the year 2008, and $8 million in the year 2009. The Company also had investment tax credit and other general business credit carryforwards for tax purposes of approximately $11 million, which expire during the years 1996 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 AMT credit carryforwards for tax purposes of approximately $19 million, which may be used indefinitely to reduce regular federal income taxes.

The Company believes that it is more likely than not that all of the 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 continuing to achieve future profitable operations.

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. At December 31, 1995, the deferred tax asset related to the Company's FASB Statement No. 106 obligation was $440 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.

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 through 1989, the Company utilized approximately $600 million of NOL carryforwards and in 1995 utilized $135 million of NOL carryforwards.

While not affecting the determination of deferred income taxes for financial reporting purposes, at December 31, 1995, the Company had available for AMT purposes approximately $53 million of NOL carryforwards which will expire as follows: $9 million in 2007 and $44 million in 2008.

NAVISTAR INTERNATIONAL CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

4 (In Part): Income Taxes

At October 31, 1995, the Company had $2,020 million of domestic NOL carryforwards available to offset future taxable income. Such carryforwards reflect income tax losses incurred which will expire as follows, in millions of dollars:

1998	$236
1999	29
2000	300
2001	143
2002	47
2004	238
2005	7
2006	128
2007	56
2008	817
2009	19
Total	$2,020

Additionally, the estimated reversal of net temporary differences of $1,620 million as of October 31, 1995 will create net tax deductions which, if not utilized previously, will expire subsequent to 2009, as indicated, in millions of dollars:

Estimated Year of Reversal	Amount	Estimated Year of Expiration
United States:		
1996	$393	2011
1997	214	2012
1998	17	2013
1999-2003	24	2014-2018
2004 and thereafter	924	2019 and thereafter
Total United States	1,572	
Canada:		
2001 and thereafter	48	2009 and thereafter
Total	$1,620	

TIME WARNER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Income Taxes

U.S. federal tax carryforwards at December 31, 1995 consisted of $328 million of net operating losses, $152 million of investment tax credits and $30 million of alternative minimum tax credits. The utilization of certain carryforwards is subject to limitations under U.S. federal income tax laws. Except for the alternative minimum tax credits which do not expire, the other U.S. federal tax carryforwards expire in varying amounts as follows for income tax reporting purposes:

	Carryforwards	
(millions)	Net Operating Losses	Investment Tax Credits
1997	$ —	$ 2
1998	—	7
1999	14	19
2000	—	25
Thereafter up to 2008	314	99
	$328	$152

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

ANACOMP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

In general, Anacomp's practice has been to reinvest the earnings of its foreign subsidiaries in those operations and to repatriate those earnings only when it was advantageous to do so. During 1995, Anacomp changed its practice whereby the Company now intends to repatriate these earnings in the foreseeable future. As a result, Anacomp recorded deferred taxes of $8.8 million on all undistributed foreign earnings.

Note 14 (In Part): Income Taxes

The following is a reconciliation of income taxes calculated at the United States federal statutory rate to the provision for income taxes:

(Dollars in thousands) Year ended September 30,	1995	1994	1993
Provision for income taxes at U.S. statutory rate	$(71,200)	$5,374	$7,131
Increase in deferred tax asset valuation allowance	51,400	—	—
Nondeductible amortization and write-off of intangible assets	40,500	3,175	2,973
U.S. tax on distributed and undistributed foreign earnings	12,300	—	—
Tax adjustment	1,200	(1,200)	(3,700)
State and foreign income taxes	2,800	821	2,140
Other	(2,000)	230	256
	$35,000	$8,400	$8,800

SEQUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes
Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between amounts of assets and liabilities recorded for tax and financial reporting purposes.

At December 31, 1995, the accompanying Consolidated Balance Sheet includes a deferred tax liability of $2,153,000 for the estimated income taxes that will be payable upon the anticipated future repatriation of approximately $7,100,000 of foreign undistributed earnings in the form of dividends. Provision has not been made for US or additional foreign taxes on $189,200,000 of undistributed earnings of foreign subsidiaries as those earnings are intended 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 deferred tax liability on foreign undistributed earnings which are intended to be permanently reinvested.

Taxes Not Accrued On Undistributed Earnings

ABBOTT LABORATORIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands)

Note 2 (In Part): Taxes on Earnings

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries and subsidiaries operating in Puerto Rico under tax incentive grants, which are intended to be remitted to the parent company. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $1,053,000 at December 31, 1995. Deferred income taxes not provided on these earnings would be approximately $167,000.

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Income Taxes
Effective November 1, 1993, the Company prospectively adopted Statement of Financial Accounting Standards (FAS) No. 109 "Accounting for Income Taxes." There was no material cumulative effect of this accounting change at the time of adoption.

United States income tax has not been provided on the unremitted earnings of the Canadian subsidiary since it is the intention of the Company to reinvest these earnings in the growth of the Canadian business. Applicable Canadian income taxes have been provided. The cumulative amount of unremitted earnings on which the Company has not recognized United States income tax was $23,382,000 at October 31, 1995. Although it is not practicable to determine the deferred tax liability on the unremitted earnings, credits for Canadian income taxes paid will be available to significantly reduce any U.S. tax liability if Canadian earnings are remitted.

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Millions of dollars)

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

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.

Note 14 (In Part): Taxes

Undistributed earnings of international consolidated subsidiaries and affiliates for which no deferred income tax provision has been made for possible future remittances totaled approximately $3,712 at December 31, 1995. Substantially all of this amount represents earnings reinvested as part of the company's ongoing business. It is not practical to estimate the amount of taxes that might be payable on the eventual remittance of such earnings. On remittance, certain countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any. The company estimates withholding taxes of approximately $207 would be payable upon remittance of these earnings.

CORNING INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Taxes on Income

Corning currently provides income taxes on the earnings of foreign subsidiaries and associated companies to the extent they are currently taxable or expected to be remitted. Taxes have not been provided on $359.6 million of accumulated foreign unremitted earnings which are expected to remain invested indefinitely. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings; however, if these earnings were remitted, income taxes payable would be provided at a rate which is significantly lower than the effective tax rate.

The company has, as required, provided for tax on undistributed earnings of its domestic subsidiaries and affiliated companies beginning in 1993 even though these earnings have been and will continue to be reinvested indefinitely. The company estimates that $36.9 million of tax would be payable on pre-1993 undistributed earnings of its domestic subsidiaries and affiliated companies should the unremitted earnings reverse and become taxable to the company. The company expects these earnings to be reinvested indefinitely.

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

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

1 (In Part): Summary of Significant Accounting Policies

Income Taxes
The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Provision has been made for income taxes on unremitted earnings of subsidiaries and affiliates, except in cases in which earnings of foreign subsidiaries are deemed to be permanently invested. Investment tax credits or grants are accounted for in the period earned (the flow-through method).

6 (In Part): Provision For Income Taxes

At December 31, 1995, unremitted earnings of non-U.S. subsidiaries totaling $5,083 were deemed to be permanently invested. No deferred tax liability has been recognized with regard to the remittance of such earnings. It is not practicable to estimate the income tax liability that might be incurred if such earnings were remitted to the United States.

DURACELL INTERNATIONAL INC. (JUN)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

13 (In Part): Income Taxes

No provision was made in 1995 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, 1995 undistributed earnings of the foreign subsidiaries amounted to $300. It is not practicable to determine the amount of income or withholding tax that would be payable upon the remittance of those earnings.

THE McGRAW-HILL COMPANIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

5 (In Part): Taxes on Income

The company 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 $65 million at December 31, 1995, 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 $17 million would have been required.

UNIFI, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies and Financial Statement Information

Income Taxes: The Company and its domestic subsidiaries file a consolidated federal tax return. Income tax expense is computed on the basis of transactions entering into pretax operating results. Deferred income taxes have been provided for the tax effect of temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. Income taxes have not been provided on the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

5 (In Part): Income Taxes

Deferred income taxes of $37.7 million and $32.4 million at June 25, 1995, and June 26, 1994, respectively, have been provided as a result of temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. The net deferred tax liability consists of deferred tax liabilities resulting primarily from the temporary differences related to property, plant and equipment of $57.7 million and $52.7 million, other assets of $1.7 million and $.7 million and deferred tax assets attributable to basis differences resulting from mergers and valuation allowances of $21.7 million and $21.0 million, respectively. U.S. deferred income taxes have not been recognized on $43.0 million at June 25, 1995 ($35.2 million at June 26, 1994), of undistributed earnings of foreign subsidiaries, because assets representing those earnings are considered to be permanently invested. The amount of foreign withholding taxes and U.S. taxes that would be payable upon the repatriation of assets that represent those earnings would be approximately $16.4 million at June 25, 1995 ($13.6 million at June 26, 1994).

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. 16 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			
	1995	1994	1993	1992
Percentage-of-completion	80	90	91	94
Units-of-delivery	28	33	27	35
Completed contract	4	2	4	5
Not determinable	3	1	1	1

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition. Contract revenue is recognized principally on the percentage-of-completion method in the ratio that cost incurred bears to estimated cost at completion. Other revenue is recorded on the basis of shipment of products or performance of services.

Contract Provisions. Under fixed price contracts, the Company may encounter, and on certain programs from time to time has encountered, cost overruns caused by increased material, labor, or overhead costs, design or production difficulties and various other factors such as technical and manufacturing complexity, which must be, and in such cases have been, borne by the Company. Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate indicates a loss, such loss is provided for currently in its entirety. In addition, the Company from time to time commits to invest its own funds, particularly in the case of high-technology seed programs. The estimated costs of such investments in excess of the related contract values are provided for currently in their entirety upon receipt of such contracts by the Company.

BALL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Revenue Recognition

Sales and earnings are recognized primarily upon shipment of products, except in the case of long-term government contracts for which revenue is recognized under the percentage-of-completion method. Certain of these contracts provide for fixed and incentive fees which are recorded as they are earned or when incentive amounts become determinable. Provision for estimated contract losses, if any, is made in the period that such losses are determined.

FOSTER WHEELER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition on Long-Term Contracts — The Corporation reports profits on long-term contracts on a percentage-of-completion basis determined on the ratio of earned revenues to total contract price, after considering accumulated costs and estimated costs to complete each contract. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated. The elapsed time from award of a contract to completion of performance may be up to four years. Contracts of the Engineering and Construction Group are generally considered substantially complete when engineering is completed and/or field construction is completed, while for the Energy Equipment Group it is when manufacturing and/or field construction is completed. The Corporation includes pass-through costs on cost-plus contracts which are general-customer reimbursable materials, equipment and subcontractor costs when the Corporation determines that it is responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

The Corporation has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. The Corporation has a substantial history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. However, current estimates may be revised as additional information becomes available.

Certain special-purpose subsidiaries in the Power Systems Group are reimbursed for their costs, including repayment of project debt, for building and owning certain facilities over the lives of the service contracts. The Corporation records revenues relating to debt repayment on these contracts on a straight-line basis over the lives of the service contracts and records depreciation of the facilities on a straight-line basis over the estimated useful lives of the facilities, after consideration of the estimated residual value.

GENERAL DYNAMICS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Sales and Earnings Under Long-Term Contracts and Programs. Major defense programs are accounted for using the percentage-of-completion method of accounting. The combination of estimated profit rates on similar, economically interdependent contracts is used to develop program earnings rates. These rates are applied to contract costs, including general and administrative expenses, 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.

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part) Summary of Significant Accounting Policies

Contracts in Process: Sales on long-term production-type contracts are recorded as units are shipped; profits applicable to such shipments are recorded pro rata, based upon estimated total profit at completion of the contract. Sales and profits on cost reimbursable contracts are recognized as costs are incurred. Sales and estimated profits under other long-term contracts are recognized under the percentage of completion method of accounting using the cost-to-cost method. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and realization is probable.

Costs accumulated under long-term contracts include applicable amounts of selling, general and administrative expenses. Losses on contracts are immediately recognized in full when determinable. Revisions in profit estimates are reflected in the period in which the facts which require the revision become known.

In accordance with industry practice, contracts in process contain amounts relating to contracts and programs with long production cycles, a portion of which may not be realized within one year.

RAYTHEON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (In Part) Accounting Policies

Contracts in Process
Sales under long-term contracts are recorded under the percentage of completion method, wherein costs and estimated gross margin are recorded as sales as the work is performed. Costs include direct engineering and manufacturing costs, applicable overheads, and special tooling and test equipment. Estimated gross margin provides for the recovery of allocable research, development (including bid proposal), marketing and administration costs, and for accrued income. Accrued income is based on the percentage of estimated total income that incurred costs to date bear to estimated total costs after giving effect to the most recent estimates of cost and funding at completion. When appropriate, increased funding is assumed based on expected adjustments of contract prices for increased scope and other changes ordered by the customer. Some contracts contain incentive provisions based upon performance in relation to established targets to which applicable recognition has been given in the contract estimates. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting in the current period earnings applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

DISCONTINUED OPERATIONS

Paragraph 8 of *APB Opinion No. 30* 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 1995, 65 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

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

Millions	1995	1994*	1993*
Earnings from continuing businesses before income taxes	$ 8.2	$265.8	$66.6
Income Taxes	(5.4)	78.6	17.6
Earnings from continuing businesses	13.6	187.2	49.0
Discontinued businesses:			
Earnings from operations of Thomasville Furniture Industries, Inc. (less income taxes of $13.9 in 1995, $15.5 in 1994, $9.6 in 1993)	25.8	23.2	14.5
Gain on disposal of discontinued business (less income taxes of $53.4)	83.9	—	—
Net earnings	$123.3	$210.4	$63.5

* Restated for the effects of the discontinued business and formation of the ceramic tile business combination.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations

On December 29, 1995, the company sold the stock of its furniture subsidiary, Thomasville Furniture Industries, Inc., to INTERCO Incorporated for $331.2 million. INTERCO assumed $8.0 million of Thomasville interest-bearing debt. The company recorded a gain of $83.9 million after tax on the sale. Certain liabilities related to terminated benefit plans of approximately $11.3 million were retained by the company. Thomasville and its subsidiaries recorded sales of approximately $550.2 million in 1995, $526.8 million in 1994 and $449.7 million in 1993.

ARVIN INDUSTRIES, INC. (DEC)

(Dollars in millions)	1995	1994	1993
Earnings from Continuing Operations Before Income Taxes	$29.4	$38.8	$56.8
Income taxes	(11.2)	(16.2)	(23.1)
Minority interest in net (income) loss of consolidated subsidiaries	(2.2)	(1.7)	.9
Equity earnings of affiliates	1.9	3.7	3.8
Earnings from Continuing Operations	17.9	24.6	38.4
Income (Loss) from discontinued operations, net of income taxes of $.5, $2.1, and $2.1, respectively	.4	(41.7)	1.9
Income from disposal of discontinued operations, net of income tax (tax benefit) of ($2.8), $1.3, and $.0, respectively	.7	.8	—
Net Earnings (Loss)	$19.0	$(16.3)	$40.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and Discontinued Operations

The Company sold its Schrader Automotive unit on February 16, 1995. Proceeds from the sale included $36.2 million cash and preferred stock and warrants with a face value of $8.5 million. The gain on the sale, recorded in the first quarter 1995, was $.7 million, net of tax. The results of Schrader have been classified as discontinued operations in the accompanying financial statements. Schrader's 1995 revenues through the sale date were $13.1 million. For fiscal 1994 and 1993, Schrader's revenues were $91.2 and $87.1 million, respectively. Income (Loss) from discontinued operations includes $.3 and $2.5 million for Schrader for 1994 and 1993, respectively. Income from disposal of discontinued operations related to Schrader includes $.7 and $.8 million for 1995 and 1994, respectively. The effective tax rate included in these amounts differs from the U.S. statutory rate due to rate differentials related to the non-U.S. subsidiaries of Schrader. In addition, the 1995 difference relates to an adjustment to tax liabilities arising from permanent book versus tax basis differences.

On September 29, 1995, the Company completed the sale of its ownership interest in Space Industries International, Inc. (SIII) to a new company formed by the senior management of SIII for approximately $30.6 million in cash. In conjunction with the sale, the Company guaranteed a portion of the purchaser's debt (see Note 10). As a result of this guarantee, the Company has accounted for the SIII transaction following the treatment set forth in the Securities and Exchange Commission's Staff Accounting Bulletins - Topic 5E (SAB Topic 5E) "Accounting for divestiture of a subsidiary or other business operation." Accordingly, the assets of SIII at the sale date have been recorded under the caption "Assets of business transferred under contractual arrangements" with a corresponding amount recorded as "Liabilities and deferred credit of business transferred." A $1.6 million gain on sale of SIII has been separately deferred. The Company will continue to follow this accounting treatment until the amount of the outstanding debt guarantee declines to a level which permits the Company to record the transaction as a sale for accompanying purposes.

The accompanying financial statements present the results of operations of SIII, previously reported as the Technology segment, as discontinued operations. SIII's revenues through the September 29, 1995 sale date were $95.5 million. Fiscal 1994 and 1993 revenues were $189.8 and $211.4 million, respectively. Income (Loss) from discontinued operations includes $.4, ($42.0) and ($.6) million for SIII for 1995, 1994 and 1993, respectively.

BAXTER INTERNATIONAL, INC. (DEC)

(in millions)	1995	1994	1993
Income (loss) from continuing operations before income taxes and cumulative effect of accounting changes	$524	$559	$(74)
Income tax expense	153	153	119
Income (loss) from continuing operations before cumulative effect of accounting changes	371	406	(193)
Discontinued operations			
Income (loss) from discontinued operations, net of applicable income tax expense (benefit) of $88 in 1995, $52 in 1994 and $(181) in 1993	304	190	(75)
Costs associated with effecting the business distribution, net of income tax benefit of $8	(26)	—	—
Total discontinued operations	278	190	(75)
Income (loss) before cumulative effect of accounting changes	649	596	(268)
Cumulative effect of change in accounting for:			
Income taxes	—	—	81
Other postemployment benefits, net of income tax benefits of $7	—	—	(11)
Net income (loss)	$649	$596	$(198)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Discontinued Operations

On November 28, 1995, the board of directors of Baxter International, Inc. approved in principle a plan to distribute to Baxter stockholders all of the outstanding stock of its health-care cost management business (the "Distribution") in a spin-off transaction which is expected to be tax-free. The creation of two independent companies will enable Baxter and the new company to devote management time, attention and investments directly to the core strategies of each business. The new health-care cost management business will consist of Baxter's cost-management services, U.S. distribution, surgical products and respiratory-therapy operations. This new company will operate as a medical supplier, focused on helping customers manage the total cost of providing patient care. The Distribution is expected to occur in late 1996 and will result in the health-care cost management business operating as an independent entity with publicly traded common stock on the New York Stock Exchange.

The following selected financial information for the new health-care management business (including previously divested businesses) is presented for informational purposes only and does not necessarily reflect what the results of operations and financial position would have been had it operated as a stand-alone entity.

Income Statement Data for Health-Care Cost Management Business

(in millions)	1995	1994	1993
Net sales	$4,682	$4,845	$4,763
Income (loss) before income taxes	$ 392	$ 242	$ (256)

In 1995, income before income taxes includes a $268 million net pretax gain resulting from the company's divestiture of its Industrial and Life Sciences division to VWR Corporation.

Net Assets for Health-Care Cost Management Business

as of December 31 (in millions)	1995	1994
Net current assets	$ 722	$1,071
Net noncurrent assets	1,897	2,014
Total net assets	$2,619	$3,085

It is estimated that through an issuance of new third-party debt, a substantial portion of Baxter's existing debt will be indirectly assumed by the health-care cost management business. The amount of the debt will be determined when the capital structure for the new company is finalized.

As a result of the board's approval of the plan, the consolidated financial statements of Baxter and the related Notes to Consolidated Financial Statements and supplemental data have been adjusted and restated to reflect the results of operations and net assets of the health-care cost management business as a discontinued operation in accordance with generally accepted accounting principles.

DELUXE CORPORATION (DEC)

(Dollars in Thousands)	1995	1994	1993
Income from Continuing Operations Before Income Taxes	$169,319	$246,706	$235,913
Provision for Income Taxes	74,885	102,453	94,052
Income from Continuing Operations	94,434	144,253	141,861
Discontinued Operations			
Loss from operations (net of income tax benefit of $2,146 in 1995 and $2,432 in 1994)	(3,098)	(3,387)	
Loss on disposal (net of income tax benefit of $2,985)	(4,315)		
Loss from Discontinued Operations	(7,413)	(3,387)	
Net Income	$87,021	$140,866	$141,861

NOTES TO CONSOLIDATED STATEMENTS

12. Discontinued Operations

On November 29, 1995, the Company adopted a plan to discontinue the Printwise ink business. The Company anticipates that the business will be disposed of by July 1996. Accordingly, Printwise is reported as a discontinued operation for the years ended December 31, 1995 and 1994. Net assets of the discontinued operation at December 31, 1995, consist primarily of property, plant, and equipment.

The estimated loss on the disposal of Printwise is $4,315,000 (net of taxes of $2,985,000), consisting of an estimated loss on disposal of the business of $3,428,000 and a provision of $887,000 for anticipated operating losses until disposal. Summarized results of Printwise since inception are as follows (dollars in thousands):

	1995	1994
Net sales	$1,124	$276
Loss from operations before income tax benefit	$(5,244)	$(5,819)
Income tax benefit	2,146	2,432
Loss from operations	(3,098)	(3,387)
Loss on disposal before income tax benefit	(7,300)	
Income tax benefit	2,985	
Loss on disposal	(4,315)	
Total loss on discontinued operations	$(7,413)	$(3,387)

GTI CORPORATION (DEC)

(dollars in thousands)	1995	1994	1993
Income from continuing operations before income taxes and minority interest	$3,120	$3,699	$14,539
Provision for income taxes	506	264	2,826
Minority interest (income) expense in earnings of subsidiaries	(476)	136	823
Income from continuing operations	3,090	3,299	10,890
Income from discontinued operations, net of income taxes of $515, $1,085, and $1,527 for 1995, 1994, and 1993, respectively	856	1,962	2,310
Loss on disposal of discontinued operations, net of income taxes of $1,186	(2,000)	—	—
Net income	$1,946	$5,261	$13,200

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Discontinued Operations

In May 1995, the Company's Board of Directors adopted a formal plan to sell its non-core business segments, consisting of the E-Group and Esco (collectively the "Segments"), as a part of the Company's strategic focus on networking and network-access markets. The Segments have been accounted for as discontinued operations in accordance with APB 30, which among other provisions, requires the plan of disposal to be carried out within one year (the "Divestiture Period").

The Electronic Components and Equipment Segment (the "E-Group") - In December 1995, the Company completed the divestiture of certain assets and liabilities of the E-Group for approximately $12.5 million, resulting in a gain of approximately $3.0 million, net of income taxes of $2.5 million. The Company received $11.75 million in cash paid at the closing, $250,000 in cash in an escrow account (the "Escrow Funds"), and a $500,000 promissory note due in three years. The Escrow Funds are governed by an escrow agreement whereby certain purchase-price adjustments could be claimed by the buyer. Currently, management does not anticipate any such adjustments to the purchase price. The Escrow Funds will remain in escrow until June 1997, at which time, if no purchase-price adjustment occurs, all Escrow Funds will be remitted to the Company. The gain on the E-Group transaction has been deferred to offset the estimated loss on disposal of Esco.

The Distribution Products Segment ("Esco") - In October 1995, the Company entered into a letter of intent to sell 100% of Esco's Common Stock. In December 1995, the letter of intent was amended such that the purchase price for Esco's Common Stock was approximately $4.1 million, consisting of $2.2 million in cash and a $1.9 million promissory note due in equal installments over six years. In February 1996, the Company completed the disposal of Esco (see Note 13), resulting in a loss on disposal of approximately $5.0 million, net of income tax benefits of approximately $1.3 million.

Based on management's periodic review of the assumptions used in determining the estimated gain or loss from the disposals of the E-Group and Esco, the Company recorded a provision of $2.0 million, net of income taxes, for the combined loss on disposal of both discontinued businesses in the fourth quarter of 1995. This change in the previously reported, estimated, combined gain on disposal of discontinued operations resulted from a reduction of the expected selling price for Esco and a revision in the estimated income tax provision from the disposal of both discontinued businesses. Management's current estimate indicates that total sale proceeds from the Segment's disposal will approximate the net assets of discontinued operations as of December 31, 1995. Esco did not incur operating losses during the remaining Divestiture Period.

The operating results of the discontinued operations are summarized as follows:

For the Year Ended December 31,	1995	1994	1993
Sales	$40,459	$38,668	$39,466
Income before tax provision	$ 1,371	$ 3,047	$ 3,837
Income tax provision	515	1,085	1,527
Net income	$ 856	$ 1,962	$ 2,310
Net income per common share of Common Stock	$ 0.80	$ 0.20	$ 0.23

The net assets of discontinued operations are summarized as follows:

As of December 31,	1995	1994
Current assets	$6,010	$11,272
Plant and equipment, net	139	2,922
Goodwill, net of amortization and other assets	6,272	6,471
Current liabilities	(1,276)	(3,227)
Deferral of E-Group gain	(5,522)	—
Provision for estimated loss on disposal of discontinued operations	(2,000)	—
Net assets of discontinued operations	$3,623	$17,438

Adjustment Of Loss Reported in Prior Period

ALCO STANDARD CORPORATION (SEP)

(in thousands)	1995	1994	1993
Income from Continuing Operations Before Taxes	$359,903	$156,812	$24,599
Taxes on Income	140,630	86,203	16,984
Income from Continuing Operations	219,273	70,609	7,615
Loss from Discontinued Operations, net of taxes (note 2)	(16,541)		(7,515)
Net income	202,732	70,609	100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Discontinued Operations and Divestitures

The Company has owned several manufacturing and industrial businesses, all of which have been sold. There are currently environmental remediation claims pending for manufacturing or landfill sites in the United States that relate to these discontinued operations. As a result of several recent environmental remediation claims, and increased estimated costs associated with existing environmental remediation sites, primarily related to discontinued manufacturing operations divested by the Company in 1991 and prior, the Company took a fourth quarter charge in fiscal 1995 to increase its liabilities for environmental remediation. The discontinued operations charge was $23,630,000 ($16,541,000 net of tax) or $.14 per share. The adjustment reflects management's best estimate, based on information currently available, of costs to be incurred for existing and probable environmental claims of discontinued operations.

MAGNETEK, INC. (JUN)

Amounts in thousands	1995	1994	1993
Income (loss) from continuing operations before provision (benefit) for income taxes, extraordinary item and cumulative effect of accounting changes	$36,396	$(24,442)	$32,463
Provision (benefit) for income taxes	14,900	(7,500)	13,200
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	21,496	(16,942)	19,263
Discontinued operations-			
Income (loss) from operations (net of taxes)	—	(3,462)	7,770
Loss on disposal (net of tax benefits)	(14,400)	(25,041)	—
Extraordinary item-loss on early extinguishment of debt (net of tax benefit)	(4,820)	—	—
Cumulative effect of changes in accounting for postretirement medical benefits (net of tax benefit) and income taxes	—	—	(48,734)
Net income (loss)	$2,276	$(45,445)	$(21,701)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts are expressed in thousands)

2 (In Part): Discontinued operations and restructuring costs

In July 1994, the Company's Board of Directors adopted a formal plan of disposal for certain businesses in connection with an overall restructuring program designed to focus the Company's resources on its core product lines and reduce debt. The segments to be disposed of comprised the Company's utility, military, controls and custom motor segments. The businesses identified for divestiture have been classified as discontinued operations in the accompanying financial statements.

During the fiscal year ended June 30, 1994 the Company provided for estimated losses on disposal of the discontinued operations, net of tax benefit of $2,300, in the amount of $25,041 which included a provision for anticipated operating losses prior to disposal. During the fiscal year ended June 30, 1995, the Company provided for additional losses on disposal, net of tax benefit of $7,200, in the amount of $14,400. The additional provision was required primarily due to lower than anticipated sales proceeds primarily associated with the sale of utility segment businesses and higher than anticipated operating losses prior to the sale of these and other discontinued operations. The tax benefits recorded in connection with these losses are less than the benefits computed using statutory rates due to the disallowance (for tax purposes) of a portion of the losses on the sale of certain discontinued operations.

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			
	1995	**1994**	**1993**	**1992**
Minority interest	87	75	66	60
Equity in earning or losses of investees	35	37	40	36
Cumulative effect of accounting change	25	81	216	221
Other	4	8	13	9

JOHNSON CONTROLS, INC. (SEP)

(in millions)	1995	1994	1993
Income before income taxes, minority interests and cumulative effect of accounting changes	$387.9	$326.4	$266.2
Provision for income taxes	162.9	140.3	112.8
Minority interests in net earnings of subsidiaries	29.2	20.9	15.5
Income before cumulative effect of accounting changes	195.8	165.2	137.9
Cumulative effect of accounting changes, net of income taxes	—	—	(122.0)
Net income	$915.8	$165.2	$ 15.9

SHAW INDUSTRIES, INC. (DEC)

($ thousands)	1995	1994	1993
Income Before Equity in Income of Joint Venture, Extraordinary Item and Accounting Change	$63,152	$130,389	$117,636
Equity in Income of Joint Venture	1,229	—	—
Income Before Extraordinary Item and Accounting Change	64,381	130,389	117,636
Extraordinary Item, net of tax benefit	—	(3,363)	—
Cumulative Effect of Accounting Change, net of tax benefit	(12,077)	—	—
Net Income	$52,304	$127,026	$117,636

WESTINGHOUSE ELECTRIC COMPANY (DEC)

(in millions)	1995	1994	1993
Loss from Continuing Operations before income taxes and minority interest in income of consolidated subsidiaries	$(40)	$(17)	$(353)
Income taxes	7	13	116
Minority interest in income of consolidated subsidiaries	(11)	(9)	(9)
Loss from Continuing Operations	(44)	(13)	(246)
Discontinued Operations, net of income taxes:			
Income from operations	135	90	71
Estimated loss on disposal of Discontinued Operations	(76)	—	(95)
Income (loss) from Discontinued Operations	59	90	(24)
Income (loss) before cumulative effect of change in accounting principle	15	77	(270)
Cumulative effect of change in accounting principle—Postemployment benefits	—	—	(56)
Net income (loss)	$15	$77	$(326)

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, practically all of the transactions classified as an extraordinary item in 1995 by the survey companies were debt extinguishments—3 at a gain, 50 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

	1995	**1994**	**1993**	**1992**
Nature				
Debt extinguishments	53	59	79	60
Operating loss carryforwards	—	—	9	17
Litigation settlements	—	—	1	2
Other	3	—	6	5
Total Extraordinary Items	**56**	**59**	**95**	**84**
Number of Companies				
Presenting extraordinary items	55	59	91	81
Not presenting extraordinary items	545	541	509	519
Total Companies	**600**	**600**	**600**	**600**

Debt Extinguishments

BLACK & DECKER CORPORATION (DEC)

(Dollars in Millions)	1995	1994	1993
Earnings Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$254.9	$127.4	$95.2
Extraordinary loss from early extinguishment of debt (net of income tax benefit of $2.6)	(30.9)	—	—
Cumulative effect to January 1, 1993, of change in accounting principle for postemployment benefits	—	—	(29.2)
Net Earnings	$224.0	$127.4	$66.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Long-Term Debt

The composition of long-term debt at the end of each year, in millions of dollars, was as follows:

	1995	1994
Revolving credit facility expiring 1997	$ 436.8	$ 426.2
7.50% notes due 2003	500.0	500.0
6.625% notes due 2000	250.0	250.0
7.0% notes due 2006	250.0	250.0
Medium Term Notes due from 1996 through 2002	236.8	151.8
9.25% sinking fund debentures	—	150.0
6.75% deutsche mark bearer bonds	—	111.4
Other loans due through 2009	78.9	37.6
Less current maturities of long-term debt	(48.0)	(121.1)
Less debt discounts	—	(32.7)
	$1,704.5	$1,723.2

In 1995, the Corporation recognized a $30.9 million extraordinary loss as a result of the early redemption of the 9.25% sinking fund debentures of its subsidiary, Emhart Corporation. The extraordinary loss consisted primarily of the write-off of the associated debt discount plus premiums and costs associated with the redemption, net of income tax benefits of $2.6 million. The Corporation financed Emhart's redemption of the sinking fund debentures through internally generated cash and proceeds from the sales of the RSI and EMI businesses during 1995.

RAYCHEM CORPORATION (JUN)

(in thousands)	1995	1994	1993
(Loss) income before extraordinary item and changes in accounting principles	$(21,448)	$1,679	$7,925
Extraordinary item—loss related to early retirement of debt, net of $0 income taxes	(6,318)	—	—
Cumulative effect of changes in accounting principles, net of $0 income taxes	(1,477)	—	1,700
Net (loss) income	$(29,243)	$1,679	$9,625

NOTES TO FINANCIAL STATEMENTS

Extraordinary Item—Loss Related to Early Retirement of Debt

On November 1, 1994, the company prepaid the holders of its 9.55% privately placed senior notes. Accordingly, the company recorded an extraordinary loss of $6 million related to the early retirement of debt. The extraordinary loss was comprised of a $7 million prepayment penalty and deferred debt issuance costs, net of a $1 million deferred gain resulting from the termination of a related interest rate swap agreement. There was no tax benefit recognized for the extraordinary item because it increased U.S. losses.

ROBBINS & MYERS, INC. (AUG)

(in thousands)	1995	1994	1993
Income Before Extraordinary Gain and Cumulative Effect of Accounting Changes	$11,825	$6,355	$6,178
Extraordinary Gain from Early Extinguishment of Debt, Net of Income Taxes	1,332	—	—
Cumulative Effect of Accounting Changes, Net of Income Taxes	—	—	(8,018)
Net Income (Loss)	13,157	6,355	(1,840)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt (In Part)

At August 31, 1994, subordinated debt consisted of $50 million principal amount. During the third quarter of 1995, the company recorded an extraordinary gain of $2,183,000 ($1,332,000 after taxes or $.25 per share) in connection with the early retirement of $25 million of the subordinated debt. The remaining principal amount of $25 million bears interest at 5% but has been discounted to reflect a rate of 9% which approximated the market interest rate on debt instruments with similar features at the time the debt was incurred. The debt becomes due on June 30, 1998, and the agreement includes certain restrictive covenants which are generally consistent with, but less restrictive than, those of the senior debt. Subject to covenant compliance, the company may extend the maturity of the notes until June 30, 2001, by paying an interest rate consistent with the market rate paid on similar instruments as of the date of the maturity extension. The debt is unsecured. It is the company's current intention to avail itself of the renewal option as of June 30, 1998.

TULTEX CORPORATION (DEC)

(In thousands of dollars)	1995	1994	1993
Income (loss) before income taxes and extraordinary loss on early extinguishment of debt	$8,948	$14,435	$9,091
Provision for income taxes	3,400	5,485	3,188
Income (loss) before extraordinary loss on early extinguishment of debt	5,548	8,950	5,903
Extraordinary loss on early extinguishment of debt (Net of income taxes of $2,296) (Note 5)	(3,746)	—	—
Net Income (Loss)	$1,802	$ 8,950	$5,903

NOTES TO FINANCIAL STATEMENTS

Note 5 (In Part): Long Term Debt

(In thousands of dollars)	Dec. 30, 1995	Dec. 31 1994
Amount due under revolving credit agreements	$117,500	$104,000
10% senior notes due March 15, 2005	110,000	—
8% senior notes due June 1, 1999	—	95,000
Term loan due July 31, 1996	—	15,997
Other indebtedness	185	358
	227,685	215,355
Less current maturities	145	132,353
Total long-term debt	$227,540	$ 83,002

In March 1995, the company sold $110 million of 10% senior notes due March 15, 2005. Net proceeds from the sale, together with borrowings under the revolving credit facility, were used to pay principal, accrued interest and prepayment expenses related to the $95,000,000 aggregate principal amount of 8% senior notes due June 1, 1999 and the $15,997,000 aggregate principal amount term loan due July 31, 1996. In connection with the repayment of the 8% senior notes and the term loan, the company was required to write off unamortized debt issuance costs and incurred a prepayment penalty. The resultant one-time, after-tax charge amounted to $3,746,000 or 13 cents per share.

Concurrent with the sale of the 10% senior notes, the company entered into a three-year $225,000,000 revolving credit facility which replaced its existing two-year facility due to expire on October 5, 1995. The terms of the new agreement are substantially equivalent to those in the former facility and provide for borrowings at or below prime.

WESTVACO CORPORATION (OCT)

In thousands	1995	1994	1993
Income before extraordinary charge and cumulative effect of accounting changes	$282,426	$103,606	$56,512
Extraordinary charge—extinguishment of debt, net of taxes	(2,590)	—	(7,351)
Cumulative effect of accounting changes, net of taxes	—	—	55,180
Net income	$280,836	$103,606	$104,341

NOTES TO FINANCIAL STATEMENTS

I (In Part): Notes payable and long-term obligations

During the 1995 third quarter, the company retired, at a premium, $63,750,000 of 12.3% debentures due in 2015. The transaction resulted in an extraordinary charge of $2,590,000, net of an income tax benefit of $1,690,000. During the 1993 fourth quarter, the company irrevocably set aside funds for the early payment of principal, premium and interest of long-term debt which was subsequently retired. The transaction resulted in an extraordinary charge to 1993 net income of $7,351,000, net of an income tax benefit of $4,765,000.

Adjustment of Prior Period Extraordinary Charge

NACCO INDUSTRIES, INC. (DEC)

(In thousands)	1995	1994	1993
Income Before Income Taxes, Minority Interest and Extraordinary Items	$103,518	$78,496	$24,664
Provision for income taxes	34,681	30,730	13,511
Income Before Minority Interest and Extraordinary Items	68,837	47,766	11,153
Minority interest	(3,331)	(2,494)	440
Income Before Extraordinary Items	65,506	45,272	11,593
Extraordinary items:			
Extraordinary gain, net-of-tax	32,333		
Extraordinary charges, net-of-tax	(3,399)	(3,218)	(3,292)
Net Income	$94,440	$42,054	$8,301

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 — Extraordinary Items

Extraordinary Gain

The extraordinary gain of $32.3 million (which was recognized in 1995), net of $19.8 million in taxes, relates to a downward revision in the obligation to the United Mine Workers of America Combined Benefit Fund ("UMWA"). This obligation was recognized by Bellaire as an extraordinary charge in 1992 to accrue for the estimated costs associated with the Coal Industry Retiree Health Benefit Act of 1992 ("Coal Act"), which is discussed in more detail in Note 11 on page 42. It is the Company's policy to periodically review the estimates and assumptions upon which various liability accruals are based. As a result of a review of the assumptions relating to the number of Company and industry covered beneficiaries ultimately assigned to Bellaire, and the trend of health care costs, the aggregate estimated costs associated with the Coal Act are expected to be lower than originally anticipated. Management believes that the revised liability of $69.3 million, net of deferred taxes, more accurately represents the future costs of this obligation.

Extraordinary Charges

The extraordinary charges recognized in 1995, 1994 and 1993 relate to the write-off of premiums and unamortized financing fees. The 1995 extraordinary charge includes a $1.3 million charge recognized in the first quarter, when MNHG's former revolving credit facility and senior term loan were replaced by the new long-term credit agreement. In the third quarter of 1995 a charge of $2.1 million was recognized. This charge, as well as the 1994 and 1993 charges, represents the write-off of premiums and unamortized debt issuance costs associated with the retirement of $78.5 million, $70.0 million and $50.0 million face-value Hyster-Yale 12% debentures, respectively. These retirements where achieved using bank borrowings, internally generated funds of NMHG and equity infusions from existing stockholders.

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—1995

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation	5	22	277	23
Included in fully diluted per share calculation	36	61	16	1
No dilution	18	17	132	10
Not disclosed	7	22	153	4
No additional shares issuable	534	478	22	562
Total Companies	**600**	**600**	**600**	**600**

CHRYSLER CORPORATION (DEC)

In millions of dollars or shares	1995	1994	1993
Net Earnings (Loss)	$2,025	$3,713	$(2,551)
Preferred stock dividends (Note 10)	21	80	80
Net Earnings (Loss) on Common Stock	$2,004	$3,633	$(2,631)
Primary Earnings (Loss) per Common Share (Note 10):			
Earnings before cumulative effect of changes in accounting principles	$5.55	$10.11	$6.77
Cumulative effect of changes in accounting principles	(0.25)	—	(14.39)
Net Earnings (Loss) per Common Share	$5.30	$10.11	$(7.62)
Average common and dilutive equivalent shares outstanding	378.1	359.2	345.1
Fully Diluted Earnings per Common Share (Note 10):			
Earnings before cumulative effect of changes in accounting principles	$5.35	$9.10	$—
Cumulative effect of changes in accounting principles	(0.24)	—	—
Net Earnings per Common Share	$5.11	$9.10	$—
Average common and dilutive equivalent shares outstanding	396.1	407.8	—

NOTES TO FINANCIAL STATEMENTS

Note 10 (In Part): Shareholders' Equity

Primary earnings (loss) per common share amounts were computed by dividing earnings (loss) after deduction of preferred stock dividends by the average number of common and dilutive equivalent shares outstanding. Fully diluted per-common-share amounts assume conversion of the Preferred Stock, the elimination of the related preferred stock dividend requirement, and the issuance of common stock for all other potentially dilutive equivalents outstanding. Fully diluted per-common-share amounts are not applicable for loss periods.

THE KROGER CO. (DEC)

(In thousands, except per share amounts)	1995	1994	1993
Net earnings (loss)	$302,813	$242,196	$(12,220)
Primary earnings (loss) per Common Share			
Earnings before extraordinary loss and cumulative effect of change in accounting	$2.65	$2.37	$1.60
Extraordinary loss	(.13)	(.24)	(.22)
Cumulative effect of change in accounting			(1.49)
Net earnings (loss)	$2.52	$2.13	$(.11)
Average number of common shares used in primary calculation	120,413	113,537	106,711
Fully-diluted earnings (loss) per Common Share			
Earnings before extraordinary loss and cumulative effect of change in accounting	$2.50	$2.19	$1.50
Extraordinary loss	(.12)	(.21)	(.19)
Cumulative effect of change in accounting			(1.28)
Net earnings	$2.38	$1.98	$.03
Average number of common shares used in fully-diluted calculation	129,232	129,714	124,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts are in thousands

Earnings (Loss) Per Common Share

Primary earnings (loss) per common share equals net earnings (loss) divided by the weighted average number of common shares outstanding, after giving effect to dilutive stock options. Fully diluted earnings per common share for 1995 is computed by adjusting both net earnings and shares outstanding as if the September 1995 conversion of the Convertible Junior Subordinated Notes occurred on the first day of the year. The net earnings adjustment in 1995 was $3,590. Shares outstanding are also adjusted for the dilutive effect of stock options. Fully diluted earnings per common share for 1994 and 1993 equals net earnings plus after-tax interest incurred on the 8% Convertible Junior Subordinated Debentures up to the date of their redemption on October 24, 1994, and on the 6% Convertible Junior Subordinated Notes of $14,805 and $16,065, respectively, divided by common shares outstanding after giving effect to dilutive stock options and for shares assumed to be issued on conversion of the Company's convertible securities.

OLIN CORPORATION (DEC)

($ in millions, except per share data)	1995	1994	1993
Net Income (Loss)	140	91	(92)
Preferred Dividends	6	7	7
Net Income (Loss) Available to Common Shareholders	$ 134	$ 84	$ (99)
Net Income (Loss) Per Common Share:			
Primary	$5.50	$3.65	$(4.25)
Fully Diluted[(1)]	$5.33	$3.54	$ —

(1) Fully diluted loss per share in 1993 was anti-dilutive.

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (In Part)

Earnings Per Share
Primary earnings per share are computed by dividing net income less the ESOP preferred stock dividend requirement by the weight average number of common share outstanding. In 1995 and 1993, common share outstanding included an equivalent number (one-for-one) of common shares, assuming the conversion of Series A Conversion Preferred Stock. On March 1, 1995, the Series A stock was converted on a one-for-one basis into Common Stock.

Fully diluted earnings per share reflect the dilutive effect of stock options and assume the conversion of outstanding ESOP preferred stock into an equivalent number of common shares at the date of issuance. Net income was reduced by an additional ESOP contribution (differential between the common and the ESOP preferred dividend rates under an assumed conversion) necessary to satisfy the debt service requirement.

Average Common Shares and Common Equivalents Outstanding

Years ended December 31 (In thousands)	Primary	Fully Diluted
1995	24,433	25,646
1994	23,303	24,825
1993	21,840	23,487

POLAROID CORPORATION (DEC)

(In millions, except per share data)	1995	1994	1993
Net earnings/(loss)	$(140.2)	$117.2	$(51.3)
Primary earnings/(loss) per common share: (Note 1)			
Earnings/(loss) before cumulative effect of changes in accounting principle	$(3.09)	$2.49	$1.45
Cumulative effect to January 1, 1993 of changes in accounting principle for:			
Postretirement benefits other than pensions	—	—	(2.84)
Income taxes	—	—	0.72
Postemployment benefits	—	—	(0.43)
Net earnings/(loss)	$(3.09)	$2.49	$(1.10)
Fully diluted earnings per common share (Note 1)	$ —	$2.42	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings Per Common Share:
Primary earnings/(loss) per common share are computed by dividing net earnings/(loss) available to common stockholders by the weighted average number of common shares and, as appropriate, dilutive common stock equivalents outstanding for the period. All shares held in the Polaroid Stock Equity Plan (ESOP) Trust (see Note 9) are considered outstanding for both primary and fully diluted earnings per share calculations. Stock options are considered to be common stock equivalents. The number of shares used to compute primary earnings/(loss) per common share were (in thousands) 45,404 in 1995, 46,992 in 1994, and 46,737 in 1993.

Fully diluted earnings per common share reflect the maximum dilution that would have resulted from the exercise of stock options and the convertible debentures (see Note 8). Fully diluted earnings per common share are computed by dividing net income, after adding back the after-tax interest on the convertible debentures, by the weighted average number of common shares and all dilutive securities. The number of shares used to compute fully diluted earnings per common share were (in thousands) 51,299 in 1994. Fully diluted earnings per common share were not reported in 1995 and 1993 because they were greater than primary earnings per common share.

SPAN-AMERICA MEDICAL SYSTEMS, INC. (SEP)

	1995	1994	1993
Net Income	$978,083	$1,640,182	$1,095,465
Earnings per share of Common Stock	$.30	$.49	$.31
Weighted average shares outstanding	3,244,075	3,374,022	2,487,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Earnings Per Common Share
Earnings per common share are computed based on the weighted average number of shares outstanding during each period. The effect of common stock equivalents on earnings per share is not material.

WEYERHAEUSER COMPANY (DEC)

Dollar amounts in millions except per-share figures	1995	1994	1993
Net earnings	$799	$589	$579
Per common share (Note 1):			
Earnings before extraordinary item	$3.93	$2.86	$2.58
Extraordinary item	—	—	.25
Net earnings	$3.93	$2.86	$2.83

NOTES TO FINANCIAL STATEMENTS

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

Net Earnings Per Common Share
Net earnings per common share are based on the weighted average number of common shares outstanding during the respective periods. Average common equivalent shares (stock options) outstanding have not been included, as the computation would not be dilutive. Weighted average common shares outstanding were 203,525,000, 205,543,000 and 204,866,000 for the years ended December 31, 1995, December 25, 1994, and December 26, 1993, respectively.

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.

AMOCO CORPORATION (DEC)

Community

Through strategic giving and community involvement, Amoco aligns philanthropic and business goals. Our programs strengthen relationships and help solve problems in communities in which we operate. In 1995, Amoco and Amoco Foundation Inc. contributed nearly $22 million to community and educational organizations in 27 countries.

One of the most significant projects sponsored in 1995 was the Theban mapping project in Egypt's Valley of the Kings. The project uncovered what may be the largest tomb ever found in the valley, providing insight to the culture of Egypt in the 12th century B.C. Other international projects funded by the Foundation included an ultrasound machine installed in a clinic in Kuantan, Malaysia; a home constructed for orphans in Ryazan, Russia; and medical treatment for children with neurological disorders in Argentina.

In the United States, we joined Texas Gov.. George Bush Jr. in dedicating the Mainland Youth at Risk Community Family Center in Texas City. Amoco's $1 million lead grant was used to renovate the facility that houses numerous social service agencies that serve area residents. Our Florida marketing region and the Foundation joined forced with Florida International University students to create and distribute 100,000 *Family Guides to Hurricane Preparedness* through more than 200 Amoco service stations.

We completed our 13-year involvement with the nationally recognized University of Chicago School Mathematics Project (UCSMP). The program—heralded by educators, school administrators and civic leaders—has influenced many other curriculum projects. Since 1983, Amoco has provided close to $8.5 million in grants to UCSMP.

Amoco has completed its two-year, $440,000 commitment to the National 4-H Council, which developed energy education materials to be used by 4-H clubs and in 4-H classes throughout the United States. In 1995, we also completed our five-year, $500,000 commitment to the Teachers Academy for Math and Science, which has been used to help train Chicago public school teachers in new math and science teaching methods.

We continued our strong support for higher education with $6 million in grants going to colleges, universities and technical schools, mainly for engineering, business and technical disciplines.

The Foundation awarded $451,000 to non-profits in 1995 in recognition of employee volunteerism. Retirees contributed more than 50,000 hours of service to community projects through 11 volunteer groups in the United States.

ARMCO INC. (DEC)

Growing With Our Communities

As a concerned corporate citizen, Armco recognizes its commitment to the nonprofit organizations that maintain and enhance the quality of life in Armco plant communities. Armco supports philanthropic activities through the Armco Foundation. It was created in 1951, and has current assets of $10 million resulting from contributions made prior to 1982 and from investment income. The earnings of these assets allow the Foundation to continue a pragmatic and conservative contributions program.

In 1995, the Foundation supported United Way organizations and other charitable institutions primarily in Armco communities in Pennsylvania and Ohio, and ongoing employee-driven programs such as the Matching Gift Program, Volunteer Support Program and Scholarship Program for Sons and Daughters.

Excluding scholarships, nearly 50% of the Foundation's 1995 contributions were directed to 86 health and welfare organizations, such as Coshocton County Memorial Hospital, Tanglewood Senior Center (Butler Operations), Community Food Warehouse (Sawhill Tubular Division) and Big Brothers and Big Sisters of Greater Pittsburgh.

Educational and education-related institutions also received support from the Foundation through direct grants and matching gifts. Sample recipients include Muskingum Area Technical College (Zanesville Operations), Tuscarawas County University (Dover Operations), Greater Pittsburgh Literacy Council and United Negro College Fund.

Arts and cultural organizations, also eligible for the Foundation's Matching Gifts Program, received direct support including The Sorg Opera Company (Middletown, Ohio - Research), Historical Society of Western Pennsylvania (Pittsburgh), Mansfield Symphony Society and The Pittsburgh Children's Museum.

The Foundation expressed an interest in civic and community organizations by making grants to organizations such as Richland Economic Development Corporation (Mansfield Operations), The Mon Valley Initiative (Pittsburgh) and Moraine Preservation Fund (Butler Operations).

In 1995, a total of 39 students were supported in their pursuits of higher education through the Scholarship Program for Sons and Daughters of Armco Employees. Approximately ten new scholarships are awarded each year.

In addition to financial contributions from the Foundation, many Armco employees serve nonprofit organizations as board members, committee members and volunteers, also participating in the annual Armco Founder's Day activities, United Way Day of Caring, blood drives, food drives and other efforts to better their communities.

The Armco Foundation made 346 contributions to nonprofit organizations in 1995. A list of those organizations can be obtained by writing to the Armco Foundation in Pittsburgh.

COOPER INDUSTRIES, INC. (DEC)

Citizens of the World

Take a snapshot of almost any Cooper community, anywhere, and you're likely to see Cooper people lending their personal time, talents and resources to a variety of local causes. Supporting their efforts are company programs and contributions designed to enhance the quality of life in the neighborhoods we call home. Together, Cooper's people and programs create a powerful catalyst for positive change. Here are some of the ways this force is at work in just one of our towns—Goldsboro, North Carolina, home to a Bussmann plant:

- Assembly Operator Katherine Reid is on the road again, chaperoning a bus full of band students. Her eight years of devoted service to the town's renowned marching band resulted in Cooper funding through the Volunteer Spirit Awards program, an annual program to recognize outstanding employee volunteers around the world with grants to the organizations they serve.

- At a local high school, vocational students are learning real-life skills for workplace success, thanks to the guidance of Human Resources Manager Dave Hunter and funding through Project PACE, Cooper's nationally recognized program to improve vocational education.

- A community safety group will soon benefit from the Goldsboro plant's 1995 Take Charge Award for safety performance. Cooper salutes the best plant-level safety programs each year with grants for local safety training and fire and emergency services.

Goldsboro is typical of other Cooper communities around the world where these same kinds of volunteer and philanthropic activities are underway. The company's commitment to good citizenship has resulted in charitable contributions of about $50 million over the past 15 years, largely to improve the quality of life in the communities where we live and work. In 1995, contributions totaled $3.4 million. A sizable portion of this amount was directed by employee giving—$1.2 million to match employee donations to 70 United Ways, and $370,000 in matching gifts to a wide array of other worthwhile causes.

Making a Difference

In addition to direct grants, Cooper often channels contributions through company initiatives in areas where we feel we can make a difference. One of our newest efforts is the Environmental Excellence Awards, a world-wide program to recognize outstanding actions taken by our operations to minimize waste and pollution. During 1995, about $25,000 was donated on behalf of 10 award-winning plants to their choice of local environmental education and conservation programs.

This year's first-place winner is our Wagner Brake Subsidiary in Scottsville, Kentucky, where employees developed a material handling system to collect, shred and bag spent brake shoe pads from the plant's remanufacturing process. The new system prevents dust exposure and reduces the plant's handling and disposal costs.

Programs like this that advance company goals through charitable giving are not new to Cooper. Other initiatives recognize outstanding citizenship, reward safety achievements and encourage educational excellence. Our programs and grants, combined with the generosity and volunteer spirit of our people, help support our mission to be a responsible, valued citizen in our global hometowns.

DAYTON HUDSON CORPORATION (JAN)

Giving Back to our Communities.

Since our first store opened its doors, we have made a commitment to be involved in strengthening our communities and positively impacting the lives of our guests, team members and all community citizens. In 1996, we will celebrate 50 years of investing 5 percent of our federally taxable income in our store communities. No other retailer has this tradition of community involvement.

In 1995, the giving budget for our operating divisions and the Dayton Hudson Foundation totaled nearly $37 million, which included $2.8 million in corporate contributions to 295 United Way organizations in 34 states. Employees added another $10.5 million, bringing the total 1995 contribution to the United Way by Dayton Hudson and its employees to $13.3 million. In addition to our grant-making, our operating divisions contribute to a wide variety of special programs that make a difference in our communities, such as P.J. Huggabee, a plush bear that benefits needy children.

Social Action Giving. Our focus is on programs and projects that strengthen families, promote the economic independence of individuals or enable neighborhoods to respond to key social and economic concerns. For the third consecutive year, Mervyn's helped clothe nearly 20,000 children during their back-to-school ChildSpree shopping event, which helps families that cannot otherwise afford new clothes for their children.

Arts Giving. Our goal is to invest in programs and projects that strengthen artistic excellence and increase access to the arts in our communities nationwide. In Los Angeles, Target and Mervyn's have teamed up as an "Arts Partner" with the city's cultural affairs department to preserve two community arts centers.

Education Giving. An increasingly important part of our community work involves education. In 1995, Target offered more than $1.5 million in scholarships to high-school seniors who demonstrated personal achievement through a commitment to education, community volunteer service and close family involvement.

Employee Volunteerism. Our team members and their families also give back to their communities with the gift of their time. In Detroit, more than 600 Hudson's, Target and Mervyn's employees joined together to take part in the annual "Paint the Town" campaign, restoring 14 homes of senior citizens, low-income and disabled residents.

Our commitment to communities is an important part of who we are.

MERCK & CO., INC. (DEC)

Corporate Responsibility

Product Donations and Health Initiatives.
In 1995, Merck donated over $90 million in products for humanitarian relief, nearly double the amount donated in 1994. Some 18 million tablets of *Mectizan,* our medicine for river blindness, represented half of these donations and were used to treat people where the disease is epidemic. It is estimated that 13 million people are now involved in on-going treatment programs. Donations of our hepatitis B vaccine *Recombivax HB* were made to Armenia, Cameroon, Guatemala, Peru, Vietnam, Zaire and other countries. Merck responded to disaster relief efforts in the British Virgin Islands, Holland, Japan and the Sudan with products and cash contributions.

A child health-care initiative is under way in St. Petersburg, Russia, made possible by a large grant to the Vishnevskaya-Rostropovich Foundation. In 1995, Merck also made a $2 million leadership gift to the American Red Cross to modernize the collection and storage process of the nation's blood supplies to ensure purity and efficiency.

UNCF• Merck Science Initiative. In collaboration with The College Fund/UNCF, Merck announced a 10-year, $20 million commitment to provide scholarship awards for outstanding African American students pursuing studies and careers in the field of biomedical research. The initiative is dedicated to increasing the number of African American biomedical scientists to meet America's needs in future years when more than half of new entrants into the work force will be minorities. Awards will be given annually, starting in 1996, to undergraduate, graduate and post-doctoral research fellows.

Environment, Health and Safety. We are a worldwide leader in protecting the environment, as well as the health and safety of our employees and the public.

At the end of 1995, all projects were in place to achieve our voluntary commitment made in 1988 to reduce worldwide environmental releases and transfers of toxic chemicals by 90% from 1987 levels. Also, we have made great progress in the use of recycled and recyclable materials, replacing chlorofluorocarbons (CFC's) and conserving energy. In 1995, we reduced packaging materials by more than 1,550 metric tons. With the exception of an inhaler product, by the end of 1996 we will have eliminated all CFC's and ozone-depleting substances from our product line. Our energy conservation program has been recognized as one of the best by the U.S. Environmental Protection Agency as part of its Green Lights Program.

Merck's safety performance is also among the best. Of the many safety awards we received this year, we are especially proud of the recognition from our peers in the chemical industry who honored us with the Lamot DuPont Safety Award and of our receipt of the British Safety Council Sword of Honor for the tenth year in a row.

Global Office of Ethics. In 1995, we established an Office of Ethics to reinforce our commitment that all Company actions — from the way we develop, manufacture

and market our products to the way we treat our increasingly diverse and global work force — reflect the mission and values of Merck. The Office investigates and resolves internal complaints ranging from policy misunderstandings to misconduct and inappropriate actions that could potentially harm an employee or the Company.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

Programs in the Public Interest

Community support and concern for the environment are integral to 3M's culture and values. In 1995, we donated more than $40 million in cash and products to support a wide range of public service efforts.

We also observed the 20th anniversary of our globally recognized Pollution Prevention Pays program. Since 1975, this initiative has prevented the discharge of more than 1.4 billion pounds of air, water and solid-waste pollutants. The program also has saved 3M more than $750 million by eliminating sources of pollution.

Reaching Out to Our Communities

Our company and employees support their communities in many ways. In 1995, we continued our funding of "Newton's Apple" on PBS, the award-winning family science program produced by KTCA-TV. Related to this science program, we worked with the National Science Teachers Association to create and distribute 55,000 classroom guides. We also provided information to many more teachers via the Internet.

In support of higher education, we awarded grants to three U.S. universities to help finance construction of new buildings. We also funded programs aimed at fostering innovation at a number of colleges in 3M communities.

3M employees continued their involvement in community service projects at food shelves, youth centers, low-income housing projects and sheltered workshops. Thousands of 3M employees and retirees have served as volunteers in local schools through several company-supported programs.

A number of 3M programs help students expand their career options by encouraging study of math and science. For example, 3M Visiting Wizards have conducted exciting science demonstrations for more than a quarter of a million children.

In 1995, United Way organizations in 100 U.S. communities received $1.7 million from 3M and $3.3 million from 3M employees.

During the year, we received the Zumwalt Award for excellence in corporate bone marrow donor recruitment. Since 1991, we've helped add more than 3,000 names to an international registry to aid people with life-threatening blood diseases.

Pollution Prevention: A Competitive Advantage

Pollution prevention not only reflects our concern for the environment, but also strengthens our competitive position. 3M has cut waste by one-third in the last five years. In addition to reducing pollution, this has enhanced productivity and helped minimize the effect of raw material cost increases.

Novel manufacturing technologies — such as melt-processing and microreplication — reduce air emissions by virtually eliminating the use of solvents. At the same time, these new processes require lower capital investments and reduce manufacturing costs. 3M breakthroughs in pollution prevention technologies also have led to a number of innovative products, such as 3M™ Filtrete™ Air Filter Media used in filters for medical ventilator circuits, computer disk drives, automobile interiors and home furnaces.

During 1995, the U.S. Environmental Protection Agency selected 3M as one of eight organizations to inaugurate its Project XL. This program seeks to achieve environmental improvements through innovative approaches, while reducing unnecessary costs and easing the impact of regulation.

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 1995 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1995	1994	1993	1992
Statement of stockholders' equity	497	488	481	481
Separate statement of retained earnings	33	36	45	48
Combined statement of income and retained earnings	19	23	24	27
Schedule in notes	51	53	50	44
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 62% of the survey companies paying cash dividends to common stock shareholders indicate the per share amount of such dividends in the statement of retained earnings; approximately 36% of the survey companies 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 distribution to shareholders follow:

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1995	1994	1993	1992
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	276	278	283	290
Per share amount not disclosed in retained earnings statements	168	159	161	162
Total	**444**	**437**	**444**	**452**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	49	45	51	47
Per share amount not disclosed in retained earnings statements	84	91	87	83
Total	**133**	**136**	**138**	**130**
Dividends Paid by Pooled Companies	**3**	**2**	**—**	**1**
Stock Dividends	**11**	**8**	**12**	**10**
Dividends in Kind	**14**	**8**	**11**	**12**
Stock Purchase Rights	**10**	**3**	**4**	**2**

Cash Dividends

BLOUNT, INC. (FEB)

Consolidated Statements of Retained Earnings

In thousands, except share data	1995	1994	1993
Balance at beginning of period	$137,440	$128,833	$126,813
Net income	40,090	14,080	7,239
	177,530	142,913	134,052
Less cash dividends declared:			
Class A Common Stock - $.5175 per share in 1995, $.4625 per share in 1994 and $.45 per share in 1993	4,356	3,695	3,470
Class B Common Stock - $.4675 per share in 1995, $.4125 per share in 1994 and $.40 per share in 1993	1,914	1,778	1,749
Balance at end of period	$171,260	$137,440	$128,833

QUAKER STATE CORPORATION

Consolidated Statement of Stockholders' Equity

(In thousands except shares and per share)	Capital Stock	Additional Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Unearned Compensation	Total
Balance, December 31, 1992	$27,152	$62,004	$101,635	$403	—	—	$191,194
Net income	—	—	13,702	—	—	—	13,702
Cash dividends ($.60 per share)	—	—	(16,310)	—	—	—	(16,310)
98,963 shares of capital stock issued under incentive plans	99	1,040	—	—	—	$(497)	642
Net changes in unrealized gains and losses on marketable securities	—	—	(150)	—	—	—	(150)
Change in foreign currency translation	—	—	—	(328)	—	—	(328)
Balance, December 31, 1993	27,251	63,044	98,877	75	—	(497)	188,750
Net income	—	—	18,766	—	—	—	18,766
Cash dividends ($.40 per share)	—	—	(11,358)	—	—	—	(11,358)
265,687 shares of capital stock issued under incentive plans	266	3,337	—	—	—	(2,411)	1,192
Net changes in unrealized gains and losses on marketable securities	—	—	(1,999)	—	—	—	(1,999)
Change in foreign currency translation	—	—	—	(784)	—	—	(784)
4,000,000 shares issued for acquisition	4,000	53,750	—	—	—	—	57,750
Purchase of 33,948 shares		—	—	—	$(467)	—	(467)
Balance, December 31, 1994	31,517	120,131	104,286	(709)	(467)	(2,908)	251,850
Net income	—	—	12,100	—	—	—	12,100
Cash dividends ($.40 per share)	—	—	(12,867)	—	—	—	(12,867)
103,030 shares of capital stock issued under incentive plans	47	661	—	—	789	(117)	1,380
Change in foreign currency translation	—		—	598	—	—	598
1,260,403 shares issued for acquisition	1,260	18,276	—	—	—	—	19,536
Purchase of 30,529 shares					(442)		(442)
Balance, December 31, 1995	$32,824	$139,068	$103,519	$(111)	$(120)	$(3,025)	$272,155

TASTY BAKING COMPANY (DEC)

Consolidated Statements of Operations And Retained Earnings

	1995	1994	1993
Net income (loss)	$ 5,640,112	$ 5,800,744	$ (4,374,945)
Retained Earnings			
Balance, beginning of year	17,228,765	14,680,877	45,851,426
Dividend of P&J common shares	—	—	(22,806,526)
Cash dividends paid in common shares ($.56 per share in 1995, $.53 per share in 1994, $.655 per share in 1993)	(3,443,027)	(3,252,857)	(3,989,078)
Balance, end of year	$19,425,849	$17,228,764	$14,680,877

Stock Dividends

BERGEN BRUNSWIG CORPORATION (SEP)

Statement of Consolidated Retained Earnings

Dollars in thousands, except for per share amounts	1995	1994	1993
Balance at beginning of year	$378,867	$342,166	$337,857
Net earnings	63,942	56,120	26,037
5% stock dividend on Class A Common Stock	(44,207)	—	—
Excess cost of Treasury shares issued for acquisitions	(1,579)	(2,457)	—
Cash dividends on Class A Common Stock ($0.474 in 1995, $0.438 in 1994 and $0.381 in 1993 per share)	(18,794)	(16,751)	(14,127)
Cash dividends on Class B Common Stock ($1.996 in 1994 and $3.630 in 1993 per share)	—	(211)	(383)
Balance at end of year	$378,229	$378,867	$349,384

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Capital Stock, Paid-in Capital and Stock Options

On January 26, 1995, the Company declared a 5% stock dividend on the Company's Class A Common Stock which was paid on March 1, 1995 to shareowners of record on February 6, 1995. The dividend was charged to retained earnings in the amount of $44.2 million, which was based on the closing price of $23.375 per share of Class A Common Stock on the declaration date. Average shares outstanding and all per share amounts included in the accompanying consolidated financial statements and notes are based on the increased number of shares giving retroactive effect to the stock dividend.

GENERAL HOST CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(Dollars in thousands)	Shares of Common Stock		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 Share-holders' Equity
	Issued	In Treasury						
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)	9,496		
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		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
Net loss					(7,339)			(7,339)
Stock dividend declared on February 28, 1996		1,108,751		(6)	(10,504)	10,510		
Restricted stock grants cancelled		(12,350)		54		(117)		(63)
Stock option exercised		10,000			(40)	95	(55)	
Income tax effect (net) related to stock options and grants				(25)	5			(20)
Balance at January 28, 1996	31,752,450	(8,505,096)	$31,752	$81,186	$79,924	$(80,618)	$(2,016)	$110,228

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Subsequent to fiscal 1995 a 5% stock dividend was declared on February 28, 1996 by the Board of Directors for shareholders of record on March 15, 1996. The stock dividend is payable on April 5, 1996 and all stock related data in the consolidated financial statements reflect the stock dividend for all periods presented.

Dividends-in-Kind

THE ALLEN GROUP INC.

Consolidated Statements of Stockholders' Equity

(amounts in thousands)	Common Stock	Paid-in Capital	Retained Earnings	Translation Adjustment	Treasury Stock	Unearned Compensation
• • • •	• •	• •	• •	• •	• •	•
Balance December 31, 1994	$29,146	$161,644	$56,902	$ 23	$(17,479)	$(4,310)
Net Income	—	—	32,639	—	—	—
Cash dividends	—	—	(3,942)	—	—	—
Net assets distributed to TransPro (Note 9)	—	—	(50,651)	—	—	—
Exercise of stock options	72	463	—	—	31	—
Conversion of convertible debentures	355	4,623	—	—	—	—
Treasury stock reissued, 61,781 common shares, at cost	—	998	—	—	437	—
Restricted shares issued, net	22	324	—	—	(1,735)	(346)
Remeasurement of restricted shares	—	18	—	—	—	(18)
Amortization of unearned compensation	—	—	—	—	—	880
Stock option tax benefits	—	562	—	—	—	—
Adjustment from translating foreign financial statements into U.S. dollars	—	—	—	79	—	—
Balance December 31, 1995	$29,595	$168,632	$34,948	$102	$(18,746)	$(3,794)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Acquisitions and Dispositions

On September 8, 1995, the Company's Board of Directors declared a spin-off distribution of 100% of the common shares of a newly formed wholly owned subsidiary, TransPro, Inc. ("TransPro") to the Company's common shareholders of record at the close of business on September 29, 1995 (the "Spin-off"). Common shares were distributed on the basis of one share of TransPro common stock for every four shares of the Company's common stock. Prior to the Spin-off, the Company contributed to TransPro cash, the ownership interests in the net assets and liabilities of its Crown and G&O Manufacturing Company divisions and the stock of AHTP II, Inc. and Allen Heat Transfer Products, Inc., which owned the Company's 50% partnership joint venture interest in GO/DAN Industries ("GDI"). These entities comprised the Company's Truck Products Business (the "Business"). Following the distribution, TransPro became an independent, publicly traded corporation.

On September 29, immediately prior to the Spin-off, the Company caused GDI to redeem the remaining ownership interest from the Company's other joint venture partner, Handy & Harman, thereby making GDI an indirect, wholly owned partnership of the Company. Handy & Harman received $24,750,000 in cash consideration for its interests in GDI. TransPro financed its additional investment in GDI through borrowings under the term loan portion of its new credit facility.

In connection with the Spin-off, the Company has presented the Business as a discontinued operation in the Consolidated Statements of Income. The Company charged the net assets transferred to TransPro (which includes GDI on a fully consolidated basis as a result of the aforementioned redemption on September 29, 1995) against its retained earnings. A summary of the net assets distributed is as follows (amounts in thousands):

Cash	$ 4,002
Accounts receivable	41,650
Inventories	46,963
Other current assets	3,728
Property, plant and equipment	36,186
Other assets	7,590
Accounts payable and accrued expenses	(35,552)
Long-term debt	(45,666)
Other liabilities	(8,250)
	$50,651

Summarized income statement information relating to the Business' results of operations (as reported in discontinued operations) is as follows (amounts in thousands, except per share data):

	Years Ended December 31,		
	1995*	1994	1993
Sales	$92,933	$115,039	$93,660
Operating income	9,726	16,113	9,442
Equity in earnings of joint venture	2,219	1,368	407
Net income	7,852	9,983	6,061
Income per common share	.30	.38	.26

*The fiscal year 1995 includes results of operations for the nine month period ended September 30, 1995 and excludes transaction costs of $733,000 (after related income taxes of $467,000) related to the distribution of the Business. Further, results of operations are net of allocated interest of $205,000, $402,000 and $718,000 in 1995, 1994 and 1993, respectively.

HARRAH'S ENTERTAINMENT, INC.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock Shares Outstanding	Common Stock Amount	Paid-in Capital	Unrealized Gain on Marketable Equity Securities	Retained Earnings	Unearned Compensation Related to Restricted Stock	Total
Balance-December 31, 1992	101,882	$10,188	$321,607	—	$100,857	$ (4,722)	$427,930
Net income					86,346		86,346
Pro rate share of proceeds from equity investee's initial public offering, less tax provision of $2,662			3,752				3,752
Net shares issued under incentive compensation plans, including income tax benefit of $10,467	376	38	18,838			(867)	18,009
Balance-December 31, 1993	102,258	10,226	344,197	—	187,203	(5,589)	536,037
Net income					78,371		78,371
Net shares issued under incentive compensation plans, including income tax benefits of $3,252	145	14	5,999			3,016	9,029
Balance-December 31, 1994	102,403	10,240	350,196	—	265,574	(2,573)	623,437
Net income					78,846		78,846
Spin-off of Promus Hotel Corporation (Notes 1 and 2)					(139,582)		(139,582)
Unrealized gain on available-for-sale securities, less tax provision of $6,746				10,552			10,552
Net shares issued under incentive compensation plans, including income tax benefit of $6,616	271	27	12,587			(318)	12,296
Balance-December 31, 1995	102,674	$10,267	$362,783	$ 10,552	$204,838	$(2,891)	$585,549

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

1 (In Part): Basis of Presentation and Organization

Harrah's Entertainment, Inc. (Harrah's or the Company, together with its subsidiaries where the context requires), a Delaware corporation, is one of America's leading casino companies and currently operates casino entertainment facilities in 14 markets. On June 30, 1995, Harrah's, formerly The Promus Companies Incorporated (Promus), completed a spin-off that split the Company into two independent public corporations, one for conducting its casino entertainment business and one for conducting its hotel business. Harrah's retained ownership of the casino entertainment business. The Company's hotel operations were transferred to a new entity, Promus Hotel Corporation (PHC), the stock of which was distributed to Promus' stockholders on a one-for-two basis (the PHC Spin-off). As a result of the PHC Spin-off, Harrah's financial statements reflect the hotel business as discontinued operations (see Note 2).

2. Discontinued Operations

As discussed in Note 1, on June 30, 1995, Harrah's completed a spin-off of its hotel operations. Accordingly, results of operations and cash flows of the Company's hotel business have been reported as discontinued operations for all periods presented in the Consolidated Financial Statements. The Consolidated Balance Sheet as of December 31, 1994, also reflects the Company's hotel business as discontinued operations. Summarized financial information of the discontinued operations is presented in the following tables:

Net assets of discontinued hotel operations:

	December 31, 1994
Current assets	$ 25,565
Current liabilities	(34,461)
Net current liabilities	(8,896)
Land, buildings and equipment, net	322,140
Other assets	72,860
Long-term debt, including allocated debt (Note 6)	(189,943)
Other liabilities and deferred taxes	(53,153)
Net assets of discontinued hotel operations	$143,008

As of the date of the PHC Spin-off, the net assets of discontinued hotel operations were $139.6 million. This amount has been charged against the Company's retained earnings in the accompanying December 31, 1995 Consolidated Balance Sheet to reflect the distribution of PHC's stock to Promus stockholders on June 30, 1995.

Earnings from discontinued hotel operations:

	Six months Ended June 30, 1995	Year Ended December 31, 1994	1993
Revenues	$132,785	$242,724	$231,210
Costs and expenses	(79,652)	(148,470)	(163,758)
Operating income	53,133	94,254	67,452
Interest expense	(16,742)	(31,148)	(33,482)
Other income (expense)	273	11	(3,175)
Income before income taxes	36,664	63,117	30,795
Provision for income taxes	(15,434)	(26,798)	(13,869)
Earnings from discontinued hotel operations	$ 21,230	$ 36,319	$ 16,926

In addition to the earnings of its discontinued hotel operations, Harrah's operating results for the year ended December 31, 1995, include a charge of $21.2 million, net of tax, for expenses of the PHC Spin-off transaction.

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

Consolidated Statements of Changes In Capital Accounts

(in millions)	1995	1994	1993
Preferred stock			
Balance, beginning of year	$ 740.3	$ 454.1	$ 454.3
Issuance of Series P preferred stock		287.5	
Other		(1.3)	(0.2)
Balance, end of year	$ 740.3	$ 740.3	$ 454.1
Common shareholders' equity			
Common stock:			
Balance, beginning of year	$ 8.2	$ 8.2	$ 8.2
Exercise of stock options and awards	0.3		
Balance, end of year	8.5	8.2	8.2
Additional paid-in capital:			
Balance, beginning of year	1,211.9	1,219.0	1,217.9
Exercise of stock options and awards, net of tax effect	82.2	1.6	1.2
Preferred stock issuance costs		(8.7)	(0.1)
Balance, end of year	1,294.1	1,211.9	1,219.0
Retained earnings:			
Balance, beginning of year	201.2	286.9	433.3
Net income (loss)	126.4	(13.0)	(0.3)
Common stock cash dividends declared	(50.0)	(49.0)	(49.0)
Preferred stock cash dividends declared	(58.5)	(45.8)	(32.8)
Spin-off of Crown Vantage Inc.	(38.2)		
Change in equity component of minimum pension liability	.5	14.9	(6.8)
Foreign currency translation and other	29.9	7.2	(57.5)
Balance, end of year	211.3	201.2	286.9
Common shareholders' equity, end of year	$1,513.9	$1,421.3	$1,514.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions, Dispositions and Other Transactions

1995

On August 25, 1995, the Company completed the spin-off to shareholders of Crown Vantage Inc. ("Vantage") which included a large part of the Company's Communications Papers Business, along with the specialty paper-based portion of its Packaging Business. Net proceeds from Vantage's financings totaling $480 million and pay-in-kind notes valued at $85 million were received by James River as a result of the spin-off. These amounts were treated as a return of the Company's investment. The book value of net assets spun off to Vantage less proceeds received totaled $38 million which was recorded as an adjustment to retained earnings. Net assets spun off included total current assets of $220 million, net property, plant and equipment of $679 million, and other long-term assets of $71 million, net of total current liabilities of $102 million and long-term liabilities of $265 million. The operating results of the facilities which now make up Vantage were included in the consolidated statement of operations and the consolidated statement of cash flows for the eight months (35 weeks) ended August 27, 1995. Pro forma results for 1995 and 1994, adjusted for the Vantage spin-off, are presented under the heading Supplemental Pro Forma Financial Information, herein.

Stock Purchase Rights

CROWN CORK & SEAL COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

N (In Part): Capital Stock

The Board of Directors adopted a Shareholder Rights Plan in 1995 and declared a dividend of one right for each outstanding share of common stock. Such rights only become exercisable, or transferable apart from the common stock, after a person or group acquires beneficial ownership of, or commences a tender or exchange offer for, 15% or more of the Company's common stock; except that the Rights Plan provides that CGIP's (major shareholder of CMB) acquisition of shares of the Company pursuant to the Company's acquisition of CMB does not cause the rights to become exercisable. Each right then may be exercised to acquire one share of common stock at an exercise price of $200, subject to adjustment. Alternatively, under certain circumstances involving the acquisition by a person or group of 15% or more of the Company's common stock, each right will entitle its holder to purchase a number of shares of the Company's common stock having a market value of two times the exercise price of the right. In the event the Company is acquired in a merger or other business combination transaction after a person or group has acquired 15% or more of the Company's common stock, each right will entitle its holder to purchase a number of the acquiring company's common shares having a market value of two times the exercise price of the right. The rights may be redeemed by the Company at $.01 per right at any time until the tenth day following public announcement that a 15% position has been acquired. The rights will expire on August 10, 2005.

EATON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Preferred Share Purchase Rights

In June 1995, the Company declared a dividend of one Preferred Share Purchase Right (Right) for each outstanding Common share. The dividend was paid on July 12, 1995 to shareholders of record on that date. The Rights become exercisable only if a person or group acquires, or offers to acquire, 20% or more of the Company's Common Shares. The Company is authorized to reduce the 20% threshold for triggering the Rights to not less than 10%. The Rights expire on July 12, 2005, unless redeemed earlier at one cent per Right.

When the Rights become exercisable, the holder of each Right, other than the acquiring person, is entitled (1) to purchase for $250, one one-hundredth of a Series C Preferred Share (Preferred Share), (2) to purchase for $250, that number of the Company's Common Shares or common stock of the acquiring person having a market value of twice that price, or (3) at the option of the Company, to exchange each Right for one Common Share or one one-hundredth of a Preferred Share.

LITTON INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Shareholders' Investment

Shareholder Right Plan. On August 17, 1994 the Company's Board of Directors adopted a Share Purchase Rights Plan (the "Plan") and, in accordance with such Plan, declared a dividend of one preferred share purchase right for each outstanding share of Common

stock, payable August 31, 1994 to shareholders of record on that date. The Plan contains provisions to protect shareholders in the event of an unsolicited attempt to acquire the Company. The Plan should deter any attempt to acquire the Company in a manner or on terms not approved by the Board of Directors.

Once exercisable, each right will entitle the holder to purchase one one-thousandth of a share of Series A Participating Preferred Stock, par value $5, at a price of $150 per one one-thousandth of a Preferred Share, subject to adjustment. Alternatively, under certain circumstances involving the acquisition by a person or group of 15 percent or more of the Company's Common stock, each right will entitle its holder to purchase a number of shares of the Company's Common stock having a market value of two times the exercise price of the right. In the event a merger or other business combination transaction is effected after a person or group has acquired 15 percent or more of the Company's Common shares, each right will entitle its holder to purchase a number of the resulting company's common shares having a market value of two times the exercise price of the right.

The Company may exchange the rights at an exchange ratio of one Common share per right. The Company may also redeem the rights at $.01 per right at any time prior to a 15 percent acquisition. The rights, which do not have voting right and are not entitled to dividends until such times as they become exercisable, expire in August 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. As shown in Table 4-3, during 1995, except in one instance, the reason disclosed by the survey companies for an adjustment to the opening balance of retained earnings was a pooling of interests.

An example of such a pooling of interests follows. Also an example of a prior period adjustment which involved restating prior period financial statements but did not result in an adjustment to the opening balance of 1995 retained earnings is presented.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1995	1994	1993	1992
Poolings of interests	19	7	12	6
Income Taxes	—	8	16	12
LIFO discontinued	—	1	5	3
Other—Described	1	4	3	5

Pooling of Interests

STORAGE TECHNOLOGY CORPORATION

Consolidated Statement of Changes In Stockholders' Equity

In thousands of dollars	Preferred Stock	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Cumulative Translation Adjustment	Unearned Compensation	Notes Receivable from Stockholders
Balances, December 25, 1992, as previously reported		$4,261	$1,244,471	$(314,368)	$(729)	$2,872	$(8,594)	
Pooling of interests with Network Systems Corp. (Note 2)		796	116,249	93,969				
Balances, December 25, 1992, as restated		5,057	1,360,720	(220,399)	(729)	2,872	(8,594)	
Preferred stock issuance (3,450,000 shares)	$35		166,444					
Shares issued under stock purchase plan, and for exercise of options and warrants (682,534 shares)		68	16,058					
Shares purchased and retired (299,761 shares)		(30)	(10,946)					
Cash dividends paid on preferred stock ($2.74 per share)				(9,459)				
Net loss				(81,461)				
Other		(7)	(2,924)		(6)	(2,872)	2,050	
Balances, December 31, 1993	35	5,088	1,529,352	(311,319)	(735)	0	(6,544)	
Shares issued under stock purchase plan, and for exercises of options (1,684,570 shares)		168	32,037		(33)			
Shares purchased and retired (11,574 shares)		(1)	(441)					
Cash dividends paid on preferred stock ($3.50 per share)				(12,075)				
Notes receivable from stockholders for the purchase of shares								$(4,291)
Net income				32,038				
Other		(3)	1,620		(5)		394	
Balances, December 30, 1994	35	5,252	1,562,568	(291,356)	(773)	0	(6,150)	(4,291)
Preferred stock exchanged and retired (3,450,000)	(35)		(165,194)					
Shares issued under stock purchase plan, and for exercises of options (743,432 shares)		74	14,620					
Cash dividends paid on preferred stock ($3.50 per share)				(12,075)				
Net loss				(142,330)				
Other		9	2,557		(4)		(277)	203
Balances, December 29, 1995	$ 0	$5,335	$1,414,551	$(445,761)	$(777)	$ 0	$(6,427)	$(4,088)

Note 2 (In Part): Business Combinations
Network Systems Corporation

On March 7, 1995, the Company issued approximately 8,000,000 shares of StorageTek common stock in exchange for all of the outstanding common stock of Network Systems. The Company also reserved approximately 500,000 shares for issuance in connection with Network Systems' outstanding employee stock purchase and option plans. The transaction, which was accounted for as a pooling of interests, involved a merger between a wholly owned subsidiary of StorageTek and Network

Systems. StorageTek's consolidated financial statements were restated for all periods prior to the merger to include the operations of Network Systems, adjusted to conform with StorageTek's accounting policies and presentation.

Network Systems designs, manufactures, markets and services computer networking products worldwide. Separate pre-merger revenue and net income of StorageTek and Network Systems, as if the merger was consummated on March 31, 1995, were as follows:

In thousands of dollars	Dec. 29, 1995	Year Ended Dec. 30, 1994	Dec. 31, 1993
Revenue:			
Pre-merger			
StorageTek	$ 400,013	$1,624,959	$1,404,752
Network Systems	46,424	231,756	215,558
Merger adjustments	3,749	14,635	(2,619)
	450,186	1,871,350	1,617,691
Post-merger	1,479,299		
	$1,929,485	$1,871,350	$1,617,691
Net income (loss):			
Pre-merger			
StorageTek	$ 3,208	$ 41,437	$ (77,796)
Network Systems	(15,686)	(23,820)	2,207
Merger adjustments	3,564	14,421	(5,872)
	(8,914)	32,038	(81,461)
Post-merger	(133,416)		
	$ (142,330)	$ 32,038	$ (81,461)

Pre-merger net income for the year ended December 29, 1995, includes merger expenses of $4,143,000 and $10,209,000 recognized by StorageTek and Network Systems, respectively. These expenses, which aggregate $14,352,000, are included within restructuring and other charges on the Consolidated Statement of Operations and consist principally of change in control payments, financial advisor fees, legal fees, and accounting fees.

The merger adjustments relate to revenue recognition and income tax effects. Adjustments were made to revenue and the associated costs and expenses to reflect revenue recognition for certain Network Systems' product sales to end-user customers at the time of customer acceptance, consistent with StorageTek's policy, rather than at the time of shipment. Adjustments were made to the combined tax position of StorageTek and Network Systems as if the merger has occurred as of the beginning of the earliest period presented.

Prior Period Adjustment

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2. Restatement of Financial Information

The Company has restated its financial statements for the years ended December 31, 1994 and December 25, 1993. This action was taken as a result of an ongoing investigation which identified uncertainties surrounding the execution of a fourth quarter 1993 contact lens sales program and the improper recording of 1993 sunglass sales in Southeast Asia. In the fourth quarter of 1993 a marketing program was initiated to implement a business strategy to shift responsibility for the sale and distribution of a portion of the U.S. traditional contact lens business to optical distributors. Subsequently, this strategy proved unsuccessful and, in the 1994 third quarter, led to the implementation of a new pricing policy for traditional contact lenses and a decision to accept on a one-time basis returns from these distributors. The investigation of this marketing program disclosed instances where unauthorized terms may have been or were offered which were inconsistent with the stated terms and conditions of the program. The resulting uncertainties relating to the execution of this marketing program led to a decision to restate the 1993 financial statements to account for shipments under the program as consigned inventory and to record revenues when the products were sold by the distributors to their customers and to reverse the effect of subsequent product returns and pricing adjustments related to this program which had been previously recognized in 1994. The investigation of Southeast Asia sunglass sales disclosed that in certain instances distributor transactions recorded as revenues in 1993 had not actually resulted from a sale to those customers, and thus were improperly recorded. The 1993 financial statements have been restated to reverse the improperly recorded sales with a corresponding restatement of the 1994 financial statements to reverse the effect of sales returns previously recognized in that period. In the opinion of management, all material adjustments necessary to correct the financial statements have been recorded. The impact of these adjustments on the Company's financial results as originally reported is summarized below:

	1994		1993	
Dollar Amounts in Thousands (Except Per Share Data)	As Reported	As Restated	As Reported	As Restated
Net Sales:				
Healthcare	$1,227,648	$1,249,923	$1,191,467	$1,169,192
Optics	622,904	642,763	680,717	660,858
Total	$1,850,552	$1,892,686	$1,872,184	$1,830,050
Business Segment Earnings:				
Healthcare	$ 73,466	$ 91,541	$ 210,393	$ 192,318
Optics	64,148	72,075	87,456	79,529
Total	$ 137,614	$ 163,616	$ 297,849	$ 271,847
Net Earnings	$ 13,478	$ 31,123	$ 156,547	$ 138,902
Net Earnings Per Share	$ 0.23	$ 0.52	$ 2.60	$ 2.31
Retained Earnings At End of Year	$ 846,245	$ 846,245	$ 889,325	$ 871,680

OTHER CHANGES IN RETAINED EARNINGS

In addition to opening balance adjustments, the retained earnings account is affected by direct changes 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			
	1995	**1994**	**1993**	**1992**
Charges				
Purchase or retirement of capital stock	61	51	55	50
Treasury stock issued for less than cost	37	36	39	32
Pension liability adjustment	13	7	19	13
Translation adjustment	8	12	15	15
Unrealized loss on investments	8	11	—	—
Preferred stock accretion	5	5	6	7
Redemption of stock purchase rights	5	3	1	3
Other—Described	25	17	21	17
Credits				
Translation adjustment	18	12	5	4
Unrealized gain on investments	17	4	—	—
Tax benefit on dividends paid to ESOP	13	20	21	20
Pension liability adjustment	9	12	2	4
Poolings of interests	4	9	5	4
Other—Described	25	13	21	17

Treasury Stock Transactions

ASARCO INCORPORATED (DEC)

Consolidated Statement of Changes In Common Stockholders' Equity

(in thousands)	1995	1994	1993
Common Stock			
Balance at beginning and end of year 45,039,878 shares	$ 679,991	$ 679,991	$ 679,991
Unrealized Gain on Securities Reported at Fair Value			
Balance at beginning of year	91,627	112,729	—
At adoption of SFAS No. 115	—	—	112,729
Net increase (decrease) in fair value	39,973	(21,102)	—
Balance at end of year	131,600	91,627	112,729
Retained Earnings			
Balance at beginning of year	853,169	808,143	821,072
Net earnings	169,153	64,034	15,619
Dividends to common stockholders	(29,645)	(16,765)	(20,792)
Treasury stock issued at less than cost	(15,656)	(11,484)	(9,243)
Foreign currency adjustment	(914)	9,241	1,487
Balance at end of year	976,107	853,169	808,143
Treasury Stock			
Balance at beginning of year	(107,400)	(129,265)	(143,570)
Purchased	(1,130)	(245)	(127)
Used for corporate purposes	28,316	22,110	14,432
Balance at end of year	(80,214)	(107,400)	(129,265)
1995 - 2,469,125 shares; 1994 - 2,937,788 shares; 1993 - 3,321,478 shares			
Total Common Stockholders' Equity	$1,707,484	$1,517,387	$1,471,598

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Stockholders' Equity

The Company purchased 34,729 of its common shares in 1995 (9,250 shares in 1994 and 5,393 shares in 1993). In 1995, 503,392 common shares (392,940 shares in 1994 and 256,620 shares in 1993) were used for employee benefit plans. The effect on the calculations of net earnings per common share of the Company's common stock equivalents (shares under option) was insignificant.

BAKER HUGHES INCORPORATED (SEP)

Consolidated Statements of Stockholders' Equity

(In Thousands)	Preferred Stock ($1 Par Value)	Common Stock ($1 Par Value)	Capital In Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Unrealized Loss on Securities Available for Sale	Total
• • •	•	• •	• •	•	• •	• •	•
Balance, September 30, 1994	$4,000	$140,889	$1,474,013	$125,276	$(102,915)	$(2,791)	$1,638,472
Net income				105,385			105,285
Cash and accrued dividends on $3.00 convertible preferred stock				(8,000)			(8,000)
Cash dividends on common stock ($.46 per share)				(64,955)			(64,955)
Foreign currency translation adjustment					(4,774)		(4,774)
Repurchase of $3.00 convertible preferred stock	(4,000)		(145,000)	(17,600)			(167,000)
Unrealized loss adjustment						(574)	(574)
Stock issued pursuant to employee stock plans		1,348	13,704				15,052
Balance, September 30, 1995		$142,237	$1,342,317	$140,106	$(107,689)	$(3,365)	$1,513,606

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Preferred Stock

In April 1992, the Company issued four million shares of $3.00 convertible preferred stock ($1 par value per share and $50 liquidation preference per share) to Sonat, Inc. in connection with the Teleco acquisition. The preferred stock was convertible at the option of the holder at any time into the Company's common stock at a conversion price of $32.50 per share.

The preferred stock was redeemable at any time, in whole or in part, at the option of the Company on at least thirty and not more than sixty days notice at $50 per share, plus accrued dividends. Dividends on the preferred stock were cumulative at the rate of $3.00 per share per annum. Such dividends were payable quarterly as declared by the Board of Directors.

In June 1995, the Company repurchased all outstanding shares of its convertible preferred stock for $167.0 million. The fair market value of the preferred stock was $149.4 million on its original date of issuance. The repurchase price in excess of this amount, $17.6 million, is deducted from net income in arriving at net income per share of common stock.

LOCTITE CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

(dollars in thousands)	Common Stock Shares	Common Stock Amount	Retained Earnings	Other	Total Stockholders' Equity
• • • • •	• •	• •	• •	• •	•
Balance at December 31, 1994	35,369,678	$45,128	$389,514	$(11,282)	$423,360
Net earnings			83,913		83,913
Cash dividends declared			(33,622)		(33,622)
Stock options exercised	86,850	1,411			1,411
Restricted Stock Plan awards (net of cancellations)	21,550	1,034			1,034
Thrift Investment Plan contributions	45,298	2,140			2,140
Common stock awards	8,959	426			426
Common stock cancellations	(17,861)	(871)			(871)
U.S. tax benefit from stock options and restricted stock		967			967
Decrease in unearned portion of Restricted Stock Plan awards		104			104
Repurchases of Company Stock	(1,911,455)	(2,850)	(88,318)		(91,168)
Translation adjustment				6,800	6,800
Decrease in investment valuation allowance				215	215
Adjustment for minimum pension liability				2,089	2,089
Balance at December 31, 1995	33,603,019	$47,489	$351,487	$ (2,178)	$396,798

WM. WRIGLEY JR. COMPANY (DEC)

Consolidated Statement of Earnings And Retained Earnings

In thousands of dollars except for per share amounts	1995	1994	1993
Net earnings	$223,739	$230,533	$174,891
Retained Earnings			
Retained earnings at beginning of year	685,850	564,640	491,481
Dividends declared (per share: 1995—$.99; 1994—$.94; 1993—$.75	(114,852)	(109,323)	(87,301)
Treasury stock retirement	(8,194)	—	(14,431)
Retained earnings at end of year	$786,543	685,850	564,640

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

Following is a summary of activity in Common Stock, paid-in capital and treasury stock:

In thousands of dollars and shares	Common Stock Shares	Common Stock Amount	Class B Common Shares	Class B Common Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount
Balance at 12/31/92	90,411	$12,121	26,423	$3,457	$1,568	—	$ —
Treasury Stock Purchases	—	—	—	—	—	450	(15,077)
Treasury Stock Retirement	(433)	(58)	—	—	—	(433)	14,489
Conversion	611	15	(611)	(15)	—	—	—
Issuances	—	—	—	—	(67)	(17)	588
Stock Split	—	—	—	—	(34)	—	—
Balance at 12/31/93	90,589	12,078	25,812	3,442	1,467	—	—
Treasury Stock Purchases	—	—	—	—	—	292	(13,225)
Conversion	737	99	(737)	(99)	—	—	—
Issuances	—	—	—	—	140	(100)	4,191
Expired Put Option	—	—	—	—	174	—	—
Balance at 12/31/94	91,326	12,177	25,075	3,343	1,781	192	(9,034)
Treasury Stock Purchases	—	—	—	—	—	261	(11,811)
Treasury Stock Retirement	(180)	(24)	—	—	—	(180)	8,218
Conversion	395	52	(395)	(52)	—	—	—
Issuances	—	—	—	—	(156)	(54)	2,449
Balance at 12/31/95	91,541	$12,205	24,680	$3,291	$1,625	219	$(10,178)

The Company's Management Incentive Plan (MIP) authorizes the granting of up to 5,400,000 shares of the Company's new or reissued Common Stock (including 492,222 shares issued under the predecessor 1984 Stock Award Plan) to key managers in various forms, including stock grants and stock appreciation rights.

The Management Incentive Plan (MIP) established in 1988 was designed to provide key employees the opportunity to participate in long-term growth and profitability of the Company through equity-based incentives. In accordance with the MIP, shares of Company stock or deferral share units are awarded by the Long-Term Stock Grant, Stock Award, and Alternate Investment and Savings Plan programs to key employees. Deferral share units are also awarded to non-employee directors. Neither the cost to provide share and share units nor the number of shares which may be issued is material.

Each share of Class B Common Stock has ten votes, is restricted as to transfer or other disposition and is convertible at any time into one share of Common Stock.

Additional paid-in capital primarily represents the excess of fair market value of Common Stock issued from treasury on the date the shares were awarded over the average acquisition cost of the shares.

Treasury Stock is acquired for MIP plans or under a resolution the Board of Directors adopted at its meeting of August 18, 1993 authorizing the Company to purchase from time to time shares of the Company's Common Stock not to exceed $100,000,000 in aggregate price. On August 19, 1992 the Board of Directors adopted a resolution retiring the entire balance of shares of Common Stock held in the corporate treasury at that time and all subsequent acquisitions to the extent not required for issuance under the MIP programs. On December 22, 1995, 180,000 shares of Common Stock were retired.

Tax Benefit from ESOP Dividends

TRIBUNE COMPANY

Consolidated Statements of Shareholders' Equity

(In thousands, except per share data)	Series B Convertible Preferred Stock	Common Stock and Additional Paid-In Capital[1]	Retained Earnings	Treasury Stock		Unearned Compen-sation (ESOP)	Cumulative Translation Adjustment	Unrealized Gain On Investments	Total
				Shares	Amount at cost				
Balance at December 27, 1992	$340,634	$101,463	$1,483,016	(16,292)	$(667,668)	$(321,690)	$(23,866)	—	$911,889
Net income			188,606						188,606
Translation adjustment							(6,270)		(6,270)
Redemptions of convertible preferred stock	(5,102)	228		20	831				(4,043)
Dividends declared									
Common-$.96/share			(63,799)						(63,799)
Preferred-$17.05/share			(26,104)						(26,104)
Tax benefit on dividends paid to the ESOP[2]			7,976						7,976
Repayment of ESOP debt						22,721			22,721
Shares issued under option and stock plans		908		1,225	50,171				51,079
Stock tendered as payment for options exercised				(92)	(4,941)				(4,941)
Shares issued for Contemporary Books acquisition		4,238		348	14,275				18,513
Balance at December 26, 1993	335,532	106,837	1,589,695	(14,791)	(607,332)	(298,969)	(30,136)	—	1,095,627
Net income			242,047						242,047
Translation adjustment[3]							9,461		9,461
Unrealized gain on investments								77,972	77,972
Redemptions of convertible preferred stock	(6,246)	1,589		114	4,657				—
Dividends declared									
Common-$1.04/share			(69,907)						(69,907)
Preferred-$17.05/share			(25,619)						(25,619)
Tax benefit on dividends paid to the ESOP[2]			7,201						7,201
Repayment of ESOP debt						24,868			24,868
Purchase of treasury stock				(947)	(49,080)				(49,080)
Shares issued under option and stock plans		5,216		903	36,467				41,683
Stock tendered as payment for options exercised				(349)	(21,273)				(21,273)
Balance at December 25, 1994	329,286	113,642	1,743,417	(15,070)	(636,561)	(274,101)	(20,675)	77,972	1,332,980
Net income			278,165						278,165
Translation adjustment							1,487		1,487
Unrealized gain on investments								111,500	111,500
Redemptions of convertible preferred stock	(6,746)	171		14	607				(5,968)
Dividends declared									
Common-$1.12/share			(72,524)						(72,524)
Preferred-$17.05/share			(25,094)						(25,094)
Tax benefit on dividends paid to the ESOP[2]			6,416						6,416
Repayment of ESOP debt						26,820			26,820
Purchase of treasury stock				(5,189)	(314,667)				(314,667)
Shares issued under option and stock plans		14,001		1,968	86,018				100,019
Stock tendered as payment for options exercised				(943)	(59,225)				(59,225)
Balance at December 31, 1995	$322,540	$127,814	$1,930,380	(19,220)	$(923,828)	$(247,281)	$(19,188)	$189,472	$1,379,909

(1) Issued shares of common stock totaled 81,771,658 for all dates presented.
(2) Excludes the tax benefit on allocated preferred shares held by the ESOP, which is credited to income tax expense.
(3) Includes a $14.3 million write-off of the cumulative translation adjustment related to the sale of QUNO common stock in April 1994.

Preferred Stock Accretion

ANACOMP, INC.

Consolidated Statements Of Stockholders' Equity (Deficit)

(Dollars in thousands)	Common stock	Capital in excess of par value	Cumulative translation adjustment	Deficit	Total
Balance at September 30, 1992	$397	$161,198	$8,200	$(161,505)	$ 8,290
Common stock issued for purchases under the Employee Stock Purchase Plan	4	1,253	—	—	1,257
Exercise of stock options	5	997	—	—	1,002
Preferred stock dividends	—	—	—	(2,062)	(2,062)
Accretion of redeemable preferred stock discount	—	—	—	(96)	(96)
Translation adjustments for year	—	—	(12,944)	—	(12,944)
Other	—	(239)	—	—	(239)
Net income for the year	—	—	—	18,591	18,591
Balance at September 30, 1993	406	163,209	(4,744)	(145,072)	13,799
Common stock issued for purchases under the Employee Stock Purchase Plan	3	872	—	—	875
Exercise of stock options	3	606	—	—	609
Preferred stock dividends	—	—	—	(2,062)	(2,062)
Accretion of redeemable preferred stock discount	—	—	—	(96)	(96)
Translation adjustments for year	—	—	4,475	—	4,475
NBS stock issuance	20	7,380	—	—	7,400
Graham stock issuance	25	9,776	—	—	9,801
Net income for the year	—	—	—	14,995	14,995
Balance at September 30, 1994	457	181,843	(269)	(132,275)	49,756
Common stock issued for purchases under the Employee Stock Purchase Plan	3	689	—	—	692
Exercise of stock options	1	50	—	—	51
Preferred stock dividends	—	—	—	(2,062)	(2,062)
Accretion of redeemable preferred stock discount	—	—	—	(96)	(96)
Translation adjustments for year	—	—	1,598	—	1,598
Graham stock issuance	1	143	—	—	144
Net loss for the year	—	—	—	(238,326)	(238,326)
Balance at September 30, 1995	$462	$182,725	$1,329	$(372,759)	$(188,243)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Redeemable Preferred Stock:

Anacomp issued in a private placement in 1987, 500,000 shares of 8.25% Cumulative Convertible Redeemable Exchangeable Preferred Stock (the "Preferred Shares"). Each Preferred Share has a preference value of $50 and is convertible into Anacomp common stock at a conversion price of $7.50. The redeemable preferred stock was recorded at fair value on the date of issuance less issue costs. The excess of the preference value over the carrying value is being accreted by periodic charges to retained earnings over the original life of the issue.

The Preferred Shares may be redeemed by Anacomp at prices declining from 105.78% to 100% of the preference value, or earlier if the price of Anacomp common stock remains at 160% of the conversion price for 20 of 30 consecutive trading days. On March 15, 2000 and 2001, Anacomp must redeem at the preference value 125,000 shares each year unless a sufficient number of shares has already been redeemed or converted. All remaining outstanding shares must be redeemed by March 1, 2002.

Dividends on the preferred shares have accrued but not been paid since the March 15, 1995 quarterly dividend payment. Interest on the unpaid dividends compounds quarterly at an annual rate of 8.25%. If the Company is in arrears for the equivalent of four quarterly dividend payments, then two directors are to be added to the Board of Directors. The holders of the preferred shares have the exclusive right to elect the two additional directors.

At any dividend date after March 15, 1990, Anacomp may exchange the Preferred Shares for an equal face

amount of 8.25% Senior Subordinated Notes due March 1, 2002 (the "Exchange Debentures"). Except for certain shareholder rights, the Exchange Debentures will carry terms similar to the Preferred Shares. There were no such exchanges as of September 30, 1995.

Redemption Of Stock Rights

PHILIP MORRIS COMPANIES INC.

Consolidated Statements Of Stockholders' Equity

(in millions of dollars, except per share data)	Common Stock	Earnings Reinvested in the Business	Currency Translation Adjustments	Cost of Repurchased Stock	Total Stockholders' Equity
Balances, January 1, 1993	$935	$14,867	$(34)	$(3,205)	$12,563
Net earnings		3,091			3,091
Exercise of stock options and issuance of other stock awards		(51)		108	57
Cash dividends declared ($2.60 per share)		(2,280)			(2,280)
Currency translation adjustments			(677)		(677)
Stock repurchased				(1,218)	(1,218)
Net unrealized appreciation on securities		91			91
Balances, December 31, 1993	935	15,718	(711)	(4,315)	11,627
Net earnings		4,725			4,725
Exercise of stock options and issuance of other stock awards		(217)		324	107
Cash dividends declared ($3.03 per share)		(2,623)			(2,623)
Currency translation adjustments			664		664
Stock repurchased				(1,600)	(1,600)
Net unrealized depreciation on securities		(114)			(114)
Balances, December 31, 1994	935	17,489	(47)	(5,591)	12,786
Net earnings		5,450			5,450
Exercise of stock options and issuance of other stock awards		(77)		470	393
Cash dividends declared ($3.65 per share)		(3,065)			(3,065)
Redemption of stock rights		(9)			(9)
Currency translation adjustments			514		514
Stock repurchased				(2,075)	(2,075)
Net unrealized depreciation on securities		(9)			(9)
Balances, December 31, 1995	$935	$19,779	$467	$(7,196)	$13,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Capital Stock

In 1989, the Company distributed rights for each outstanding share of its common stock. The rights were not exercisable until ten days after public announcement that any person had acquired 10% or more of the Company's common stock or ten business days after any person announced a tender offer for 10% or more of the Company's common stock. In 1995, the Company redeemed the rights for $.01 per right, at a total cost of $9 million.

Change In Year End of Subsidiary

AMP INCORPORATED

Consolidated Statements Of Shareholders' Equity

(amounts in thousands)	Common Stock	Other Capital	Deferred Compen-sation	Cumulative Translation Adjustments	Net Unrealized Investment Gains	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount
Balance at January 1, 1993	$62,003	$78,992	$(5,806)	$ 81,804	$	$2,090,132	(14,781)	$(235,988)
Net income						317,449		
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
Issuance of common stock under bonus plans	3,403		(1,822)					
Amortization of deferred compensation			2,026					
Translation adjustments				(16,587)				
Other						(32)		
Balance at December 31, 1993	65,406	79,126	(5,602)	65,217		2,239,711	(14,828)	(237,328)
Net income						373,790		
Cash dividends—84¢ per share						(176,177)		
Change in subsidiaries' year-ends						5,034		
Purchases of treasury stock							(336)	(10,800)
Distributions of treasury stock under bonus plans		979					160	4,697
Issuance of common stock under bonus plans	4,729		(606)					
Amortization of deferred compensation			1,640					
Translation adjustments				64,395				
Net unrealized investment gains					21,585			
Other						(41)		
Balance at December 31, 1994	70,135	80,105	(4,568)	129,612	21,585	2,442,317	(15,004)	(243,431)
Net income						427,334		
Cash dividends—92¢ per share						(196,521)		
Change in subsidiary's year-end						(5,375)		
Purchases of treasury stock							(87)	(3,439)
Distributions of treasury stock under bonus plans		1,075	(3,734)				209	7,228
Issuance of common stock under bonus plans	9,445							
Amortization of deferred compensation			5,813					
Translation adjustments				27,225				
Net unrealized investment losses					(2,162)			
ESOP termination		2,274						
Acquisition of business							83	3,110
Balance at December 31, 1995	$79,580	$83,454	$(2,489)	$156,837	$19,423	$2,667,755	(14,799)	$(236,532)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Investments representing ownership of 20% to 50% in affiliates and joint ventures are accounted for using the equity method.

The Company's M/A-COM, Inc. subsidiary (see Note 4) changed its fiscal year-end in 1995 from the Saturday nearest September 30 to December 31 in order to be consistent with the rest of the companies' year-ends. In 1994, the Company's Asia/Pacific and Americas subsidiaries changed their fiscal year-ends from November 30 to December 31 for the same purpose. In accordance with guidelines of the Securities and Exchange Commission, only twelve months of income and expense for the affected companies were included in the Consolidated Statements of Income for 1995 and 1994. Results of operations associated with the additional months were re-

corded directly to retained earnings in each year and cash flow activity for these same periods was reflected as a single line item in the operating activities section of the Consolidated Statements of Cash Flows.

4 (In Part): Merger with M/A-COM, Inc.

On June 30, 1995, M/A-COM, Inc. (M/A-COM) was merged with and into the Company through the issuance of 7.6 million shares of AMP common stock which were exchanged for all of the outstanding common shares of M/A-COM. The merger qualifies as a tax-free reorganization and was accounted for as a pooling-of-interests. Accordingly, the Company's financial statements have been restated to include the results of M/A-COM for all periods presented.

As discussed in Note 1, prior to the merger, M/A-COM used a fiscal year ending on the Saturday nearest September 30. Accordingly, the restated financial statements combine the October 1, 1994 and October 2, 1993 financial statements of M/A-COM with the December 31, 1994 and 1993 financial statements of AMP, respectively. Net sales and the net loss of M/A-COM for the three-month period ended December 31, 1994 were $81.6 million and $5.4 million, respectively, with the net loss reflected as an adjustment to retained earnings effective January 1, 1995.

Capital Transactions of Subsidiary

AMERICAN BILTRITE, INC.

Consolidated Statements Of Stockholders' Equity

(In thousands of dollars)	Common Stock	Retained Earnings	Foreign Currency Translation Adjustment	Minimum Pension Liability	Treasury Stock
Balance at January 1, 1993	$18,647	$33,743	$(758)		$(9,879)
Net earnings		5,371			
Dividends declared ($.075 per share)		(271)			
Foreign currency translation adjustment			(966)		
Exercise of stock options					536
Tax benefits associated with the exercise of stock options	350				
Purchase of treasury stock					(2,817)
Balance at December 31, 1993	18,997	38,843	(1,724)		(12,160)
Net earnings		12,261			
Dividends declared ($.14375 per share)		(512)			
Effects of Congoleum capital transactions		(948)			
Foreign currency translation adjustment			(713)		
Exercise of stock options					79
Purchase of treasury stock					(2)
Balance at December 31, 1994	18,997	49,644	(2,437)		(12,083)
Net earnings		6,105			
Dividends declared ($.35 per share)		(1,276)			
Effects of Congoleum capital transactions		(2,377)			
Foreign currency translation adjustment			103		
Exercise of stock options					512
Tax benefits associated with the exercise of stock options	472				
Purchase of treasury stock					(1,593)
Issuance of treasury stock in connection with K&M transactions					2,174
Minimum pension liability adjustment, net of tax benefit				$(445)	
Balance at December 31, 1995	$19,469	$52,096	$(2,334)	$(445)	$(10,990)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of American Biltrite Inc. and its wholly-owned subsidiaries (referred to as ABI) as well as entities over which it has voting control. As described in Note 4, ABI in 1995 gained voting control over Congoleum Corporation (Congoleum) and K&M Associates L.P. (K&M). (ABI, Congoleum, and K&M are collectively referred to as the Company). Until 1995, the Company's investments in Congoleum and K&M were accounted for under the equity method and cost method, respectively. Intercompany accounts and transactions, including transactions with associated companies which result in intercompany profit, are eliminated.

4 (In Part): Related-Party Transactions

1995 Transactions
On February 8, 1995, Congoleum completed a public offering of 4,650,000 shares of Class A Common Stock at $13 per share. The net proceeds of the offering, together with certain other funds of Congoleum, were used to acquire a portion of Congoleum's outstanding Class B Common Stock held by Hillside Industries Incorporated. As a result of these transactions, ABI recorded a charge to stockholders' equity of $2,377,000 in 1995. In conjunction with these transactions, the Company exchanged its shares of Class B Common Stock for 4,395,605 shares of the new series of Class B Common Stock (the foregoing transactions are collectively referred to as the Congoleum transactions). The exchange of stock did not change the Company's 44% ownership interest, however, the new shares represent 57% of the voting shares of Congoleum, giving ABI voting control. Accordingly, the accounts of Congoleum have been consolidated into the 1995 financial statements of the Company.

Recapitalization

PRAB, INC.

Consolidated Statement Of Stockholders' Equity

Preferred And Common Stock Columns Not Presented

	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)
Balance - November 1, 1993	$5,370,613	$(6,522,713)
7% non-convertible preferred stock dividend	(21,000)	—
Net income	—	1,005,869
Balance - October 31, 1994	5,349,613	(5,516,844)
7% non-convertible preferred stock dividend	(21,000)	—
Exercise of 45,000 common stock options	21,164	—
Net income	—	1,287,856
Corporate recapitalization (Note 1)	(4,228,988)	4,228,988
Balance - October 31, 1995	$1,120,789	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Elimination of Deficit in Retained Earnings - On October 31, 1995 the Company eliminated the earnings deficit amount on its balance sheet through a quasi-reorganization in accordance with the state laws of Michigan. Additional paid-in-capital was used to eliminate in its entirety a deficit of $4,228,988 in the balance sheet under stockholders' equity. Retained earnings shown on the balance sheet in future years reflects earnings beginning November 1, 1995.

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

	1995	1994	1993	1992
Statement of stockholders' equity	430	421	425	407
Statement of additional paid-in capital	6	7	6	6
Schedule in notes	69	74	74	79
No statement or schedule but changes disclosed	6	6	7	8
Balance unchanged during year	27	28	25	39
	538	**536**	**537**	**539**
Additional paid-in capital account not presented	62	64	63	61
Total Companies	**600**	**600**	**600**	**600**

STOCK SPLITS

Chapter 7B of *Accounting Research Bulletin No. 43* discusses the accounting for stock spilt. *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 disclosures of stock splits follow.

TABLE 4-6: STOCK SPLITS

	1995	1994	1993	1992
Ratio				
Less than three-for-two	5	3	9	1
Three-for-two (50%) to two-for-one	10	9	11	21
Two-for-one (100%)	31	27	27	39
Greater than two-for-one	2	9	2	6
Total Companies	**48**	**48**	**49**	**67**
Account charged				
Additional paid-in capital	19	23	21	28
Retained earnings	9	9	12	15
No charge	20	16	16	24
Total Companies	**48**	**48**	**49**	**67**

BRIGGS & STRATTON CORPORATION

Consolidated Statements Of Shareholders' Investment

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustments
Balances June 30, 1992	$43,391,000	$ —	$272,490,000	$(3,477,000)
Net Income	—	—	70,345,000	—
Cash Dividends Paid ($.85 per share)	—	—	(24,588,000)	—
Reduction of Par Value	(43,246,000)	43,246,000	—	—
Purchase of Common Stock for Treasury	—	(463,000)	—	—
Proceeds from Exercise of Stock Options	—	100,000	—	—
Currency Translation Adjustments	—	—	—	(1,340,000)
Loss on Foreign Subsidiary	—	—	—	3,500,000
Balances June 27, 1993	145,000	42,883,000	318,247,000	(1,317,000)
Net Income	—	—	69,923,000	—
Cash Dividends Paid ($.90 per share)	—	—	(26,034,000)	—
Purchase of Common Stock for Treasury	—	(791,000)	—	—
Proceeds from Exercise of Stock Options	—	266,000	—	—
Currency Translation Adjustments	—	—	—	470,000
Balances July 3, 1994	145,000	42,358,000	362,136,000	(847,000)
Net Income	—	—	104,805,000	—
Cash Dividends Paid ($.98 per share)	—	—	(28,348,000)	—
Distribution of Shares of Strattec Security Corporation	—	—	(40,966,000)	1,226,000
Two-for-One Stock Split	144,000	(144,000)	—	—
Purchase of Common Stock for Treasury	—	(915,000)	—	—
Proceeds from Exercise of Stock Options	—	399,000	—	—
Currency Translation Adjustments	—	—	—	(515,000)
Balances July 2, 1995	$ 289,000	$41,698,000	$397,627,000	$ (136,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Stock Split:

On October 19, 1994, shareholders approved a doubling of the authorized common stock shares to 60,000,000. This allowed the Company to effect a 2-for-1 stock split previously authorized by the Board of Directors. The distribution on November 14, 1994 increased the number of shares outstanding from 14,463,500 to 28,927,000. The amount of $144,000 was transferred from the additional paid-in capital account to the common stock account to record this distribution. All per share amounts in this report have been restated to reflect this stock split.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

On November 15, 1995, a special meeting of stockholders was held authorizing a three-for-one stock split effective November 17, 1995. All references in the consolidated financial statements referring to shares, share prices, per share amounts and stock plans have been adjusted retroactively for the three-for-one stock split. Additional information is presented in the "Capital Stock" note on page 56.

Capital Stock (In Part)

On November 15, 1995, the company declared a three-for-one stock split effected in the form of a 200 percent stock dividend to stockholders of record on November 17, 1995. This stock split has been recorded as of October 31, 1995 by a transfer of $175 million from retained earnings to common stock, representing a $1 par value for each additional share issued. The number of common shares the company is authorized to issue was also increased from 200 million to 600 million and the number of authorized preferred shares, none of which has been issued, was increased from three million to nine million.

Changes in the common stock account in 1993, 1994 and 1995 were as follows:

	Number of Shares Issued*	Amount (in millions)
Balance at October 31, 1992	229,572,342	$840
Stock issued	24,150,000	535
Stock options exercised	3,506,499	51
Debenture conversions	12,264	
Other		11
Balance at October 31, 1993	257,241,105	1,437
Stock options exercised	2,582,703	37
Debenture conversions	91,776	1
Other		16
Balance at October 31, 1994	259,915,584	1,491
Transfer from retained earnings for three-for-one stock split (see above)		175
Stock options exercised	2,604,114	44
Debenture conversions	4,386	
Other		19
Balance at October 31, 1995	262,524,084	$1,729

*Adjusted for three-for-one stock split.

LEE ENTERPRISES, INCORPORATED (SEP)

Consolidated Statements Of Stockholders' Equity

(In Thousands)	1995	1994	1993
Common Stock			
Balance, beginning	$32,130	$31,826	$41,842
Conversion from Class B Common Stock	252	988	432
Stock split	34,198	—	—
Cancellation of treasury stock	—	—	(10,480)
Shares issued	3,508	462	560
Shares reacquired	(1,692)	(1,146)	(528)
Balance, ending	$68,396	$32,130	$31,826
Class B Common Stock			
Balance, beginning	$13,390	$14,374	$18,606
Conversion to Common Stock	(252)	(988)	(432)
Stock split	13,168	—	—
Cancellation of treasury stock	—	—	(3,712)
Shares issued	38	14	90
Shares reacquired	(8)	(10)	(178)
Balance, ending	$26,336	$13,390	$14,374
Additional Paid-In Capital			
Balance, beginning	$ 6,497	$ 3,469	$ —
Shares issued	58,273	3,028	3,469
Common stock split (Note 2)	(47,366)	—	—
Balance, ending	$17,404	$ 6,497	$ 3,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Common Stock Split

On November 9, 1995, the Board of Directors declared a two-for-one stock split on the Company's Common Stock and Class B Common Stock effected in the form of a stock dividend to holders of record on November 20, 1995. Common Stock issued, Class B Common Stock issued, and additional paid-in capital as of September 30, 1995 have been restated to reflect this split.

The number of shares issued at September 30, 1995 after giving effect to the split was 34,198,000 common shares and 13,168,000 Class B Common shares (17,099,000 common shares and 6,584,000 Class B Common shares before the split).

All share and per share data, including stock option and stock purchase plan information, is stated to reflect the split.

IBP, INC.

Consolidated Statements Of Changes In Stockholders' Equity

(In thousands except per share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Currency Translation Adjustments	Treasury Stock
Balances, December 26, 1992	47,500	$2,375	$443,638	$ 88,112	$ —	$ (48)
Net earnings				90,083		
Dividends declared, $.10 per share				(9,500)		
Treasury shares purchased						(6,804)
Treasury shares delivered under employee stock plans			(1,679)			6,619
Balances, December 25, 1993	47,500	2,375	441,959	168,695	—	(233)
Net earnings				182,289		
Dividends declared, $.10 per share				(9,492)		
Treasury shares purchased						(8,928)
Treasury shares delivered under employee stock plans			(2,392)			7,295
Foreign currency translation adjustments					(1,074)	
Balances, December 31, 1994	47,500	2,375	439,567	341,492	(1,074)	(1,866)
Net earnings				257,923		
Dividends declared, $.10 per share				(9,479)		
Additional shares issued in two-for-one stock split effected in the form a stock dividend (Note G)	47,500	2,375	(2,375)			
Treasury shares purchased						(13,441)
Treasury shares delivered under employee stock plans			(4,466)			10,718
Foreign currency translation adjustments					1,190	
Balances, December 30, 1995	95,000	$4,750	$432,726	$589,936	$116	$(4,589)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G (In Part): Capital Stock and Stock Plans

On December 18, 1995, the company's Board of Directors authorized a two-for-one stock split effected in the form of a 100% stock dividend to be distributed on January 19, 1996 to shareholders of record on December 28, 1995. All share and per share data included in this annual report have been restated to reflect the stock split.

MATTEL, INC.

Consolidated Statements Of Shareholders' Equity

(In thousands)	Preference Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	ESOP Note Receivable	Deferred Compen-sation	Currency Translation and Other Adjustments	Total Share-holders' Equity
Balance, December 31, 1992	$9	$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 and other adjustments								(21,176)	(21,176)
Balance, December 31, 1993	9	172,470	226,528	(47,350)	532,000	(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 and other adjustments								(6,864)	(6,864)
Balance, December 31, 1994	9	223,264	234,913	(53,812)	737,528	—	—	(56,212)	1,085,690
Net income					357,802				357,802
Five-for-four stock split		55,794	(55,794)						—
Purchase of treasury stock				(64,284)					(64,284)
Repurchase of Series F Preference Stock	(9)		(73,857)						(73,866)
Restricted stock activity			7,919						7,919
Exercise of stock options			8,500						8,500
Issuance of treasury stock			(18,169)	42,522					24,353
Dividends declared on common stock					(50,253)				(50,253)
Dividends declared on preference stock					(3,342)				(3,342)
Currency translation and other adjustments								(17,350)	(17,350)
Balance, December 31, 1995	$—	$279,058	$103,512	$(75,574)	$1,041,735	$ —	$ —	$(73,562)	$1,275,169

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Shareholders' Equity

Dividends and Capital Transactions
On February 6, 1996, the Board of Directors declared a five-for-four stock split on the Company's common stock, distributable on March 1, 1996 to shareholders of record as of February 16, 1996. Accordingly, $55.8 million was transferred from additional paid-in capital to common stock, representing the par value of additional shares issued. Similar transfers were made between additional paid-in capital and common stock in the amounts of $44.7 million and $34.4 million, reflecting the respective declarations of five-for-four stock splits in December 1994 and November 1993.

A regular quarterly cash dividend has been declared by the Board of Directors on the Company's common stock since the second quarter of 1990.

PITTWAY CORPORATION

Consolidated Statement Of Stockholders' Equity

(Dollars in thousands, except per share)

	Common Stock		Class A Stock		Capital In Excess of Par Value	Retained Earnings	Cumulative Marketable Securities Valuation Adjustment	Cumulative Foreign Currency Translation Adjustment
	Shares	Par Value	Shares	Par Value				
• •	• •	• •	• •	•	•	• •	•	•
Balance- December 31, 1994	2,626,024	$2,626	11,314,700	$11,315	$28,348	$291,756	$(3,050)	$(2,865)
Net income						40,372		
Cash dividends declared:								
Common stock-$.267 per share						(1,051)		
Class A stock-$.333 per share						(5,657)		
Shares issued pursuant to performance awards			996	1	52			
Three-for-two stock split (Including $7 payable for fractional shares)	1,312,808	1,313	5,657,617	5,657	(6,977)			
Marketable securities valuation adjustment							1,031	
Currency translation adjustment								155
Balance- December 31, 1995	3,938,832	$3,939	16,973,313	$16,973	$21,423	$325,420	$(2,019)	$(2,710)

SUMMARY OF ACCOUNTING POLICIES

Stock Split

In January 1996 the Board of Directors declared a 3-for-2 stock split in the form of a 50% stock dividend on the Company's Common and Class A stock, payable March 1, 1996 to stockholders of record February 14, 1996. All share and per share data, as appropriate, reflect this split. The effect of the split is presented retroactively within stockholders' equity at December 31, 1995 by transferring the par value for the additional shares issued from the capital in excess of par value account to the common stock accounts.

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			
	1995	1994	1993	1992
Credits				
Common stock issued for:				
Employee benefits	412	402	382	364
Business combinations	47	34	37	30
Debt conversions/ extinguishments	23	26	33	30
Preferred stock conversions	23	28	19	22
Public offerings	15	42	52	70
Stock compensation tax benefits	102	84	83	70
Purchase or retirement of capital stock	6	5	8	10
Warrants issued or exercised	7	4	4	7
Other—Described	52	50	46	49
Charges				
Purchase or retirement of capital stock	90	77	71	79
Treasury stock issued for less than cost	73	61	70	72
Conversion of preferred stock	15	13	9	10
Stock issue cost	3	3	7	9
Other—Described	48	67	60	50

Common Stock Issued In Connection With Employee Benefit Plans

THE STANDARD REGISTER COMPANY (DEC)

Statement Of Shareholders' Equity

(Dollars in thousands)	1995	1994	1993
Common Stock			
Beginning balance	$24,085	$24,037	$23,986
Add shares issued under Stock Incentive Plan	57	48	51
Ending balance	24,142	24,085	24,037
Class A Stock	4,725	4,725	4,725
Capital in Excess of Par Value			
Beginning balance	26,507	25,562	24,705
Add excess of market over par value of shares issued under Stock Incentive Plan	943	945	857
Ending balance	27,450	26,507	25,562
Retained Earnings			
Beginning balance	332,501	308,413	284,901
Add net income for year	47,759	43,876	42,185
Less cash dividends declared	(20,926)	(19,788)	(18,673)
Ending balance	359,334	332,501	308,413
Treasury Shares			
Beginning balance	(3,852)	(1,754)	—
Cost of common shares purchased	(582)	(2,098)	(1,754)
Ending balance	(4,434)	(3,852)	(1,754)
Total Shareholders' Equity	$411,217	$383,966	$360,983

JUNO LIGHTING, INC.

Consolidated Statements Of Stockholders' Equity

(In thousands)	Common Stock Amount $.01 par	Paid-In Capital	Cumulative Marketable Securities Valuation Adjustment	Cumulative Gain (Loss) on Foreign Currency Translation	Retained Earnings	Treasury Stock	Total
Balance, December 1, 1992	$184	$3,105	$ —	$ (83)	$ 90,626	$ —	$ 93,832
Exercise of stock options	—	67	—	—	—	—	67
Net income for 1993	—	—	—	—	18,213	—	18,213
(Loss) on foreign currency translation	—	—	—	(91)	—	—	(91)
Cash dividend ($0.22 per share)	—	—	—	—	(4,044)	—	(4,044)
Balance, November 30, 1993	184	3,172	—	(174)	104,795	—	107,977
Exercise of stock options	1	542	—	—	—	—	543
Tax benefit of stock options exercised	—	208	—	—	—	—	208
Net income for 1994	—	—	—	—	22,907	—	22,907
(Loss) on foreign currency translation	—	—	—	(99)	—	—	(99)
Cash dividend ($0.26 per share)	—	—	—	—	(4,788)	—	(4,788)
Balance, November 30, 1994	185	3,922	—	(273)	122,914	—	126,748
Effect of SFAS 115 adoption	—	—	(1,011)	—	—	—	(1,011)
Treasury stock purchased	—	—	—	—	—	(1,034)	(1,034)
Exercise of stock options	—	397	—	—	—	—	397
Tax benefit of stock options exercised	—	96	—	—	—	—	96
Net income for 1995	—	—	—	—	19,974	—	19,974
Gain on foreign currency translation	—	—	—	72	—	—	72
Cash dividend ($0.30 per share)	—	—	—	—	(5,546)	—	(5,546)
Change in unrealized holding gains	—	—	1,672	—	—	—	1,672
Balance, November 30, 1995	$185	$4,415	$661	$(201)	$137,342	$(1,034)	$141,368

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Option Plan

The Company has a stock option plan (the "Plan") which provides for the granting of stock options or stock appreciation rights ("SARs") to certain key employees, including officers. The Plan is designed so that options granted thereunder at 100% of the fair value of the common stock at date of grant may, under certain circumstances, be treated as "incentive stock options" as defined in Section 422 of the Internal Revenue Code as amended. Under the Plan, up to 600,000 shares of the Company's common stock may be issued upon the exercise of stock options, and SARs may be granted with respect to up to 600,000 shares of the Company's common stock. The per-share option price for options granted under the Plan may not be less than 100% of the fair market value of the Company's common stock on the date of grant. The following summarizes the options granted, exercised and outstanding.

	(In thousands)		
November 30,	1995	1994	1993
Options outstanding beginning of year	360	248	260
Granted	146	189	—
Cancelled	(6)	(4)	(2)
Exercised	(55)	(73)	(10)
Options outstanding end of year	445	360	248
Options exercisable at end of year	140	110	134
Exercise price per share for options exercised and exercisable during the year	$7.25 to $19.63	$7.25 to $9.63	$7.25 to $9.63

All options issued were granted at 100% of the fair market value of the Company's common stock on the date of grant and are exercisable up to 20% per year commencing on the first anniversary date of grant and will expire no later than ten years from the date of grant. Options outstanding as of November 30, 1995 had an average exercise price of $14.53 per share and will expire at various dates between November 26, 1996 and October 26, 2005.

SCHERING-PLOUGH CORPORATION

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

Shareholders' Equity (In Part):

A summary of activity in common shares, paid-in capital and treasury shares follows (number of shares in millions):

	Common Shares	Paid-in Capital	Treasury Shares Number	Treasury Shares Amount
Balance at January 1, 1993	$251.5	$47.5	52.0	$1,655.6
Shares issued under stock incentive plans	—	41.8	(1.0)	(4.0)
Warrant transactions	—	(8.4)	—	—
Purchase of treasury shares	—	—	7.0	418.3
Balance at December 31, 1993	251.5	80.9	58.0	2,069.9
Shares issued under stock incentive plans	—	52.4	(1.1)	2.3
Purchase of treasury shares	—	—	8.6	599.4
Balance at December 31, 1994	251.5	133.3	65.5	2,671.6
Effect of 2-for-1 stock split	251.5	(145.0)	65.4	—
Shares issued under stock incentive plans	—	61.2	(2.0)	2.1
Purchase of treasury shares	—	—	9.9	493.8
Balance at December 31, 1995	$503.0	$49.5	138.8	$3,167.5

At December 31, 1995, warrants to purchase 15.3 million common shares are outstanding; 10.2 million warrants, exercisable during November 1996, have a strike price of $45 per share, and 5.1 million warrants, exercisable during the 90-day period ended November 22, 1996, have a strike price of $48.67 per share.

Stock Incentive Plans

Under the terms of the Company's 1992 Stock Incentive Plan, 18 million of the Company's common shares may be granted as stock options or awarded as deferred stock units to officers and certain employees of the Company through December 1997. Options are granted at prices not less than the market value of the common shares at grant dates, become exercisable not earlier than six months and one day from the date of the grant, and expire not later than 10 years after the date of the grant. Deferred stock units are payable in an equivalent number of common shares; the shares are distributable in a single installment or in up to five equal annual installments commencing not earlier than six months and one day from the date of the award.

The table below summarizes stock option activity over the past two years under current and prior plans:

	Number of shares	Option price (range per share)
Outstanding at January 1, 1994	8,760,812	$ 4.40 - $33.19
Granted	2,607,166	$29.82 - $37.06
Exercised	(1,511,374)	$ 4.40 - $29.44
Canceled or expired	(202,670)	
Outstanding at December 31, 1994	9,653,934	$ 4.94 - $37.06
Granted	1,911,920	$39.06 - $59.25
Exercised	(1,743,223)	$ 4.94 - $34.13
Canceled or expired	(99,854)	
Outstanding at December 31, 1995	9,722,777	$ 8.00 - $59.25
Exercisable at December 31, 1995	6,346,127	

As of December 31, 1995 and 1994, there were 1,576,032 and 1,542,920 deferred stock units outstanding, respectively, under current and prior plans. There were 714,208 shares issued in 1995 and 1,014,772 shares issued in 1994. At December 31, 1995, there were 10,248,918 common shares available for future options or awards.

TOSCO CORPORATION

Consolidated Statement Of Common Shareholders' Equity

(Dollar amounts in thousands)	Common Stock Issued Shares	Common Stock Issued Amount	Capital in Excess of Par Value	Retained Earnings (Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Common Shareholder Equity
Balance, January 1, 1993	31,821,158	$23,869	$449,265	($134,035)	2,548,444	($68,866)	$270,233
Net income				80,579			80,579
Dividends-Preferred Stock				(10,063)			(10,063)
Dividends-Common Stock				(17,993)			(17,993)
Issuance of Common Stock	2,990,000	2,243	86,175				88,418
Purchase of Common Stock					597	(14)	(14)
Other			(713)				(713)
Balance, December 31, 1993	34,811,158	26,112	534,727	(81,512)	2,549,041	(68,880)	410,447
Net income				83,843			83,843
Dividends-Preferred Stock				(6,293)			(6,293)
Dividends-Common Stock				(21,474)			(21,474)
Exercise of stock options	3,333	2	46				48
Conversion of Series F Preferred Stock	4,784,409	3,588	106,503				110,091
Other			(1,198)				(1,198)
Balance, December 31, 1994	39,598,900	29,702	640,078	(25,436)	2,549,041	(68,880)	575,464
Net Income				77,058			77,058
Dividends-Common stock				(23,719)			(23,719)
Exercise of stock options	15,050	12	228		(188,549)	4,467	4,707
Acquisition of Common Stock					188,549	(6,400)	(6,400)
Balance, December 31, 1995	39,613,950	$29,714	$640,306	$ 27,903	2,549,041	($70,813)	$627,110

NOTES TO FINANCIAL STATEMENTS

Note 11 (In Part): Stock Options and Shares Reserved for Issuance

Tosco had two stock option plans in effect at December 31, 1995: the 1992 Stock Incentive Plan (1992 Plan) and the 1989 Stock Incentive Plan (1989 Plan).

The 1989 and 1992 Stock Incentive Plans provide for the issuance to key employees, consultants, and non-employee directors of a maximum of 1,280,000 and 2,200,000 shares of Common Stock, respectively, in the form of stock options, restricted stock awards and/or stock appreciation rights. Stock options may be granted as "Incentive Stock Options" (as defined by the Internal Revenue Code of 1986), or as nonqualified options, including nonqualified stock options whose purchase price or vesting requirements are based on the employee's achievement of established performance objectives. Options may be exercised only within ten years from the date of grant. The exercise price of nonqualified stock options is determined by the Compensation Committee of the Board of Directors and may be less than the fair value of Common Stock on the date of grant. Awards under the 1989 and 1992 Plan may be granted until March 7, 1999 and March 13, 2002, respectively.

Options to acquire an aggregate of 651,583 shares of Common Stock at prices ranging from $29.19 to $35.88 per share (the fair value of Common Stock on the respective dates of grant) were granted during 1995. Subject to the severance agreements with certain employees (Note 15), one-third of the options may be exercised at any time following the first anniversary of the date of grant and an additional one-third after each of the second and third anniversaries.

Information relating to stock options is as follows:

	1995	
	Shares	Option Price Per Share
Outstanding, beginning of year	1,975,266	$14.81 to $31.81
Grants-1992 Plan	632,916	$29.19 to $35.88
Grants-1989 Plan	18,667	$35.88
Exercised	(203,599)	$15.94 to $30.31
Expired or canceled	(40,084)	$24.25 to $29.19
Outstanding, end of year	2,383,166	$14.81 to $35.88
Exercisable	1,301,583	
Available for future grant	640,168	
Shares reserved for:		
Exercise of stock options	3,023,334	
Conversion of Series F Stock		
Total shares reserved	3,023,334	

UNC INCORPORATED

Consolidated Statements Of Changes In Shareholders' Equity

(Dollars in thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Other	Total
Balance at December 31, 1992	18,002,334	$3,600	$121,292	$ 39,497	$ (8,750)	$155,639
Net earnings				11,062		11,062
Award of restricted stock under the employees' stock plan	65,000	13	381			394
Exercise of stock options	18,000	4	73			77
Minimum pension liability adjustment					(1,345)	(1,345)
Unearned compensation-restricted stock					(341)	(341)
Balance at December 31, 1993	18,085,334	3,617	121,746	50,559	(10,436)	165,486
Net loss				(67,932)		(67,932)
Award of restricted stock under the employees' stock plan	97,000	19	926			945
Exercise of stock options	59,800	12	268			280
Minimum pension liability adjustment					805	805
Unearned compensation-restricted stock					(687)	(687)
Balance at December 31, 1994	18,242,134	3,648	122,940	(17,373)	(10,318)	98,897
Net income				1,923		1,923
Award of restricted stock under the employees' stock plan	104,534	21	567			588
Exercise of stock options	47,200	10	210			220
Minimum pension liability adjustment					(1,261)	(1,261)
Unearned compensation-restricted stock					(215)	(215)
Balance at December 31, 1995	18,393,868	$3,679	$123,717	$(15,450)	$(11,794)	$100,152

NOTES TO FINANCIAL STATEMENTS

13. Incentive Compensation Plans

The Company has stock plans, approved by the shareholders, which provide for the granting of options and restricted stock to officers and key employees. Options are granted at no less than fair market value on the date of grant, become exercisable in increments, in some instances partially conditioned on the attainment of specific performance objectives, and expire between six and ten years from the date of grant.

The 1990 Stock Option Plan for Key Employees reserved 1,125,000 shares of common stock, either previously unissued shares or shares held in treasury, for issuance upon the exercise of options or as stock appreciation rights or as restricted stock awards. The exercise of an option is conditioned upon the holder, (i) purchasing at fair market value, within ninety days of the grant, stock equal to twenty-five percent of the number of options granted, and (ii) continuing as beneficial owner of all such stock through the time of exercise. Options are granted at no less than fair market value on the date of grant, expire in ten years and vest in five annual installments of twenty percent each January 1 following the date of grant. The 1985 stock plan for Key Employees terminated as of December 31, 1994, and no further options will be granted under that plan. However, 677,820 options remain outstanding and will be exercisable in future years in accordance with the terms of the plan.

As of December 31, 1995, officers and employees eligible under the 1985 and 1990 plans have purchased 234,000 shares of the Company's common stock in the open market in order to qualify under the terms of these plans and held outstanding options to purchase an additional 1,597,862 shares.

A summary of certain plan information related to stock options is as follows:

(Number of Shares)	Year Ended December 31, 1995	1994	1993
Outstanding at beginning of year	1,912,996	1,788,896	1,735,946
Granted	150,000	423,000	159,000
Exercised	(47,200)	(59,800)	(18,000)
Expired or canceled	(417,934)	(239,100)	(88,050)
Outstanding at end of year	1,597,862	1,912,996	1,788,896
Exercisable at end of year	1,279,387	1,126,521	1,281,521
Available for grant at end of year	0	0	132,470
Price range of options			
Outstanding	$3.19-9.75	$3.19-9.75	$3.19-8.63
Exercised	$4.44-5.75	$3.88-6.57	$3.88-5.75

Purchase Method Acquisitions

BANTA CORPORATION

Consolidated Statements Of Shareholders' Investment

(Dollars in thousands)	Common Stock Shares Outstanding	Par Value	Amount in Excess of Par Value	Cumulative Translation Adjustment	Retained Earnings
Balance, January 2, 1993	13,240,027	$1,324	$51,948	$ —	$204,965
Stock options exercised	136,635	14	2,492		
Three-for-two stock split effected in the form of a 50% stock dividend	6,619,870	662	(4)		(662)
Net earnings					40,992
Cash dividends ($.31 per share)					(9,303)
Balance, January 1, 1994	19,996,532	2,000	54,436	—	235,992
Stock options exercised	129,494	13	2,344		
Net earnings					47,228
Cash dividends ($.35 per share)					(10,426)
Balance, December 31, 1994	20,126,026	2,013	56,780	—	272,794
Stock options exercised	196,823	19	4,148		
Net earnings					53,550
Cash dividends ($.37 per share)					(11,308)
Stock issued for acquisition	236,765	24	9,210		
Foreign currency translation adjustment				(118)	
Balance, December 30, 1995	20,559,614	$2,056	$70,138	$(118)	$315,036

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions

Acquisition of B.G. Turnkey Services Limited
In October 1995, the Corporation acquired B.G. Turnkey Services Limited ("B.G. Turnkey"). B.G. Turnkey, headquartered in Cork, Ireland, provides project management, product assembly, fulfillment and product localization services to computer software and hardware companies primarily from facilities located in Ireland, Scotland and The Netherlands. B.G. Turnkey reported sales for 1994 of approximately $160 million. The purchase price consisted of 236,765 shares of the Corporation's common stock and approximately $21 million of the Corporation's debentures which were called and prepaid in December 1995. The payment of these debentures is classified as cash used for acquisitions in the Statement of Cash Flows. The Corporation also paid $3.2 million to former shareholders of B.G. Turnkey in exchange for a covenant not to compete. The purchase price plus the liabilities assumed exceeded the fair value of the tangible assets and identified intangible assets purchased by a preliminary estimate of $12.2 million. The final adjustments to the purchase price are not expected to be significant. This acquisition was accounted for as a purchase and accordingly, the accompanying financial statements include B.G. Turnkey's results beginning with the acquisition date.

SPS TECHNOLOGIES, INC.

Statement Of Consolidated Shareholders' Equity

(Thousands of Dollars)	Common Stock	Additional Paid-In Capital	Retained Earnings	Minimum Pension Liability	Treasury Stock	Cumulative Translation Adjustments	Total Shareholders' Equity
Balance, December 31, 1992	$6,362	$59,685	$96,412	$ (723)	$(10,154)	$(8,964)	$142,618
Issuance of treasury shares under stock option plans		19			10		29
Net loss			(30,995)				(30,995)
Cash dividends-$.96 per share			(4,901)				(4,901)
Minimum pension liability changes				(1,057)			(1,057)
Foreign currency translation adjustment including $532 write-off related to the sale of subsidiary						(2,867)	(2,867)
Balance, December 31, 1993	6,362	59,704	60,516	(1,780)	(10,144)	(11,831)	102,827
Issuance of common shares under stock option plans	16	355					371
Issuance of treasury shares under stock option plans		22			12		34
Issuance of treasury shares under rights offering		8,043			4,142		12,185
Net earnings			3,200				3,200
Minimum pension liability changes				545			545
Foreign currency translation adjustment including $677 write-off related to the sale of subsidiary						4,942	4,942
Balance, December 31, 1994	6,378	68,124	63,716	(1,235)	(5,990)	(6,889)	124,104
Issuance of common shares under stock option plans	69	2,039					2,108
Issuance of treasury shares for business acquired		4,522			1,145		5,667
Net earnings			14,875				14,875
Minimum pension liability changes				(1,391)			(1,391)
Foreign currency translation adjustment						283	283
Other	4				(1)		3
Balance, December 31, 1995	$6,451	$74,685	$78,591	$(2,626)	$ (4,846)	$(6,606)	$145,649

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of dollars, except share data)

2 (In Part): Business Acquisitions

All acquisitions have been accounted for under the purchase method. The results of operations of the acquired businesses are included in the consolidated financial statements from the dates of acquisition.

On August 16, 1995, the Company acquired approximately 48 percent of the outstanding stock of Metalac S.A. Industria e Comercio (Metalac) located in Sao Paulo, Brazil. With this acquisition, the Company increased its ownership to approximately 95 percent. Metalac is a leading manufacturer and distributor of industrial and automotive fasteners in Brazil. The Company paid $4,000 in cash and issued 141,666 shares of the Company's common stock (approximate market value on August 16, 1995 of $5,667). The Stock Purchase Agreement also contains additional payments contingent on the future earnings performance of Metalac. Any additional payments made, when the contingency is resolved, will be accounted for as additional costs of the acquired assets and amortized over the remaining life of the assets. Prior to this acquisition, the Company accounted for its investment in Metalac using the equity method.

The following unaudited pro forma consolidated results of operations for the years ended December 31, 1995 and 1994 are presented as if the Metalac acquisition had been made at the beginning of each period presented. The unaudited pro forma information is not necessarily indicative of either the results of operations that would have occurred had the purchase been made during the periods presented or the future results of the combined operations.

	Years ended December 31	
	1995	1994
Net sales	$432,364	$374,435
Net earnings	16,168	4,939
Earnings per common share and common share equivalent	2.68	.94

Debt Conversions

AMERICAN STORES COMPANY (JAN)

Consolidated Statements Of Shareholders' Equity

(In thousands of dollars, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balances at Beginning of 1993	$144,542	$190,475	$1,241,847	$(32,850)	$1,544,014
Net earnings—1993 (52 weeks)			247,090		247,090
Issuance of 524,258 shares of stock for stock options and awards		579		6,953	7,532
Dividends ($.40 per share)			(56,905)		(56,905)
Stock Purchase Incentive Plans including issuance of 120,000 shares		(3,389)		1,446	(1,943)
Purchase of 498 shares for treasury				(11)	(11)
Other		2,508			2,508
Balances at Year-End 1993	$144,542	$190,173	$1,432,032	$(24,462)	$1,742,285
Net earnings—1994 (52 weeks)			345,184		345,184
Issuance of 427,512 shares of stock for stock options and awards		2,629		5,259	7,888
Dividends ($.48 per share)			(68,544)		(68,544)
Stock Purchase Incentive Plans including issuance of 40,000 shares		21,245		496	21,741
Purchase of 152 shares for treasury				(4)	(4)
Other		2,371			2,371
Balances at Year-End 1994	$144,542	$216,418	$1,708,672	$(18,711)	$2,050,921
Net earnings—1995 (53 weeks)			316,809		316,809
Issuance of 592,143 shares of stock for stock options and awards		914		7,583	8,497
Dividends ($.56 per share)			(82,607)		(82,607)
Stock Purchase Incentive Plans including issuance of 60,000 shares		3,869		733	4,602
Conversion of convertible notes	5,347	119,215			124,562
Purchase of 124 shares for treasury				(3)	(3)
Stock Repurchase Program 2,522,500 shares				(72,987)	(72,987)
Other		4,702			4,702
Balances at Year-End 1995	$149,889	$345,118	$1,942,874	$(83,385)	$2,354,496

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt (In Part):

On March 9, 1995, the Company completed the redemption of its $175 million, 7-% 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.

MANPOWER INC.

Consolidated Statements Of Stockholders' Equity

(In thousands, except per share data)	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Cumulative Translation Adjustments	Restricted Stock Plan Deferred Compensation	Total
Balance, December 31, 1992	$734	$1,441,639	$(1,292,942)	$12,361	$(2,200)	$159,592
Issuances under option and purchase plans	2	1,995	—	—	—	1,997
Net loss	—	—	(48,935)	—	—	(48,935)
Translation	—	—	—	(11,008)	—	(11,008)
Amortization of restricted stock plan deferred compensation	—	—	—	—	1,100	1,100
Other	1	(66)	—	—	—	(65)
Balance, December 31, 1993	737	1,443,568	(1,341,877)	1,353	(1,100)	102,681
Issuances under option and purchase plans	3	3,485	—	—	—	3,488
Net earnings	—	—	83,931	—	—	83,931
Dividends ($.11 per share)	—	—	(8,148)	—	—	(8,148)
Translation	—	—	—	19,370	—	19,370
Amortization of restricted stock plan deferred compensation	—	—	—	—	1,100	1,100
Other	3	1,049	—	—	—	1,052
Balance, December 31, 1994	743	1,448,102	(1,266,094)	20,723	—	203,474
Issuances under option and purchase plans	9	14,252	—	—	—	14,261
Issuance on conversion of subordinated convertible debentures	54	97,986	—	—	—	98,040
Net earnings	—	—	128,042	—	—	128,042
Dividends ($.13 per share)	—	—	(10,171)	—	—	(10,171)
Translation	—	—	—	17,376	—	17,376
Other	6	3,965	—	—	—	3,971
Balance, December 31, 1995	$812	$1,564,305	$(1,148,223)	$38,099	$ —	$454,993

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

6 (In Part): Convertible Subordinated Debentures and Other Long-Term Debt

The Company called for redemption of all $100,000 of its 6% Convertible Subordinated Debentures on October 16, 1995. The Debentures were converted into 5,421,489 shares of the Company's common stock prior to the redemption date. Stockholders' equity was increased by the full amount of the debentures less the unamortized issuance costs.

If the conversion of the debentures had taken place on January 1, 1993, net income (loss) per share would have been $1.60, $1.09 and ($.57) for the years ended December 31, 1995, 1994 and 1993, respectively. These amounts were calculated by adjusting the reported net earnings (loss) by the interest, net of tax, on the debentures and adjusting the weighted average shares for the shares issued on conversion.

Preferred Stock Conversion

WHITTAKER CORPORATION

Consolidated Statements Of Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-In	Retained	
	$5.00	Series D	Shares	Amount	Capital	Earnings	Total
Balance at November 1, 1992	$ 2	$1	8,167	$82	$13,643	$61,472	$ 75,200
Net income	—	—	—	—	—	7,256	7,256
Cash dividends—preferred stock	—	—	—	—	—	(12)	(12)
Shares issued under stock option plans	—	—	305	3	2,377	(2,690)	(310)
Income tax benefits from stock options exercised	—	—	—	—	1,614	—	1,614
Balance at October 31, 1993	2	1	8,472	85	17,634	66,026	83,748
Net income	—	—	—	—	—	10,061	10,061
Cash dividends—preferred stock	—	—	—	—	—	(12)	(12)
Shares issued under stock option plans	—	—	14	—	115	—	115
Income tax benefits from stock options exercised	—	—	—	—	38	—	38
Balance at October 31, 1994	2	1	8,486	85	17,787	76,075	93,950
Net income	—	—	—	—	—	7,865	7,865
Cash dividends—preferred stock	—	—	—	—	—	(4)	(4)
Conversion of preferred stock	(2)	—	4	—	(7)	—	(9)
Shares issued under stock option plans	—	—	154	1	842	—	843
Purchases of common stock	—	—	(55)	—	(225)	(860)	(1,085)
Income tax benefits from stock options exercised	—	—	—	—	864	—	864
Balance at October 31, 1995	$—	$1	8,589	$86	$19,261	$83,076	$102,424

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Capital Stock

On April 28, 1995, all the outstanding shares of $5.00 Cumulative Convertible Preferred Stock were either redeemed or converted into Common Stock. Each share of the $5.00 Cumulative Convertible Preferred Stock was voting, cumulative and convertible into 1.854 shares of Common Stock plus $74.16 in cash, was redeemable, at the Company's option, at $100 per share and was entitled to preference of $100 per share upon voluntary liquidation and $50 per share upon involuntary liquidation. Each share of Series D Participating Convertible Preferred Stock is nonvoting, cumulative and, in connection with a qualifying transfer, convertible into 326.531 shares of Common Stock. Holders of the Series D Participating Convertible Preferred Stock, of which there is presently only one, are entitled to a $1.00 per share liquidation preference and to the greater of $.25 per share per quarter or any dividends paid in respect of the number of shares of Common Stock underlying each share of Series D Participating Convertible Preferred Stock. The Board of Directors is authorized to issue preferred stock in series, to fix dividend rates, conversion rights, voting rights, rights and terms of redemption and liquidation preferences, and to increase or decrease the number of shares of any series.

Preferred Stock Exchanged For Debt

COOPER INDUSTRIES, INC.

Consolidated Statements Of Shareholders' Equity

(In millions)	$1.60 Convertible Exchangeable Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Employee Stock Ownership Plan Compensation
Balance December 31, 1992	$33.1	$567.0	$1,086.2	$1,359.1	$(149.7)
Net income				367.1	
Common stock dividends				(150.3)	
Preferred stock dividends				(53.1)	
Acquisition of treasury stock, at cost					
Conversion of debentures	.1		2.8		
Stock issued under employee stock plans		4.0	28.3		
Principal payments by ESOP					27.2
Translation loss					
Adjustment for minimum pension liability					
Other activity		.3	4.8	3.7	(2.7)
Balance December 31, 1993	33.2	571.3	1,122.1	1,526.5	(125.2)
Net loss				(19.9)	
Common stock dividends				(152.6)	
Preferred stock dividends				(53.3)	
Dividend—stock of Gardner Denver Machinery Inc.				(152.9)	
Acquisition of treasury stock, at cost					
Conversion of $1.60 Preferred to Common	(2.7)	5.0	(20.1)		
Conversion of debentures	.1		3.4		
Stock issued under employee stock plans		.3	.4		
Sale of additional shares to ESOP		8.0	74.3		(82.3)
Principal payments by ESOP					53.4
Adjustment for minimum pension liability					
Translation loss					
Unrealized gain on investments in marketable equity securities					
Other activity			(3.6)	5.6	6.7
Balance December 31, 1994	30.6	584.6	1,176.5	1,153.4	(147.4)
Net income				94.0	
Common stock dividends				(148.4)	
Exchange of common stock for Cooper Cameron common stock		(47.5)	(382.6)		2.6
Redemption of $1.60 Preferred for 7.05% Convertible subordinated debentures	(30.6)		(664.4)		
Stock issued under employee stock plans		1.8	12.0		
Principal payments by ESOP					25.4
Adjustment for minimum pension liability					
Translation loss					
Unrealized gain on investments in marketable equity securities					
Other activity		.5	.1	1.3	(2.2)
Balance December 31, 1995	$ —	$539.4	$ 141.6	$1,100.3	$(121.6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common and Preferred Stock

Preferred Stock

At December 31, 1995, Cooper is authorized to issue 1,340,750 shares of Preferred stock with no par value (No Par Preferred), 10,000,000 shares of $2.00 par value Preferred stock and 2,821,079 shares of $1.00 par value Preferred stock. At December 31, 1995 and 1994, no shares of the No Par Preferred or $2.00 par value Preferred stock were issued or outstanding.

At December 31, 1994 and 1993, 33,376,420 shares of $1.00 par value Preferred stock were designated as Convertible Exchangeable Preferred having a $1.60 dividend rate ("$1.60 Preferred Stock") and 30,629,808 and 33,182,654 of such shares were outstanding at December 31, 1994 and 1993, respectively. Effective January 1, 1995, the $1.60 Preferred Stock was exchanged for Cooper's 7.05% Convertible Subordinated Debentures due 2015 ("Debentures") at the rate of $22.70 principal amount of debentures for each share of $1.60 Preferred Stock.

Public Offerings

ANTHONY INDUSTRIES, INC.

Statement Of Consolidated Shareholders' Equity

(Dollars in thousands except for per share figures)	Common Stock	Additional paid in capital	Retained earnings	Employee Stock Ownership Plan & stock option loans	Treasury shares at cost	Cumulative translation adjustments	Total
Balance at January 1, 1993	$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 dividends, 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
Net income for the year 1995			14,879				14,879
Exercise of stock options	141	1,388		(1,274)			255
Cash dividends, $.44 per share			(6,752)				(6,752)
Translation adjustments						771	771
Stock option loan repayments				336			336
Stock offering proceeds	4,600	62,634					67,234
Employee Stock Ownership Plan, amortization and partial loan repayment				97			97
Balance at December 31, 1995	$17,064	$130,995	$37,121	$(4,778)	$(4,189)	$ (397)	$175,816

NOTES TO FINANCIAL STATEMENTS

Note 11 (In Part): Shareholders' Equity

Stock Offering
On June 1, 1995, the Company completed a secondary public offering of 4.6 million new shares of its common stock. The net proceeds of $67.2 million were used to reduce amounts outstanding under the $85 million credit facility.

MARK IV INDUSTRIES, INC.

Consolidated Statements Of Stockholders' Equity

(Dollars in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustment
Balance at February 29, 1992	$400	$154,800	$156,500	$ 200
Net income for fiscal 1993			39,000	
Cash dividends of $.08 per share			(3,600)	
Stock dividend of 5% issued in July 1992		27,900	(27,900)	
Stock dividend of 5% issued in May 1993		35,700	(35,700)	
Exercise of stock options		900		
Translation adjustments				(2,600)
Balance at February 28, 1993	400	219,300	128,300	(2,400)
Net income for fiscal 1994			3,400	
Cash dividends of $.093 per share			(4,200)	
Stock dividend of 5% issued in April 1994		38,900	(38,900)	
Conversion of 6% Convertible Debentures		100		
Restricted stock grants, net		800		
Exercise of stock options, including related tax benefits		2,400		
Translation adjustments				(2,700)
Balance at February 28, 1994	400	261,500	88,600	(5,100)
Net income for fiscal 1995			66,800	
Cash dividends of $.107 per share			(5,600)	
Stock dividend of 5% issued in April 1995		59,000	(59,000)	
Public sale of common stock at $18.10 per share, net of expenses	100	112,400		
Sale of common stock to employee benefits plans at $18.10 per share		2,000		
Conversion of 6% Convertible Debentures, net of expenses	100	111,100		
Restricted stock grants, net		1,600		
Stock options activity, including related tax benefits		2,600		
Translation adjustments				(1,000)
Balance at February 28, 1995	$600	$550,200	$ 90,800	$(6,100)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Stockholders' Equity and Stock Options

In December 1994, the company completed an underwritten public offering of approximately 6,500,000 shares of its common stock, at a public offering price of $18.10 per share (the "Offering"). The net proceeds from the Offering of approximately $113,000,000 were used to repay a portion of the indebtedness outstanding under the company's 1994 Credit Agreement. The company also sold approximately 110,000 shares of its common stock to one of its pension plans in December 1994 at a price of $18.10 per share, or a total cost of approximately $2,000,000.

Stock Compensation Tax Benefits

PEERLESS MFG. CO.

Consolidated Statements Of Changes In Stockholders' Equity

	Common stock	Additional paid-in capital	Cumulative foreign currency translation adjustment	Retained earnings	Unamortized value of restricted stock grants
Balances as of July 1, 1992	$1,435,867	$2,371,773	$35,088	$7,882,783	$(169,699)
Net earnings	—	—	—	155,059	—
Issuance of 1,625 shares of common stock	1,625	15,641	—	—	(17,266)
Translation adjustment	—	—	(144,006)	—	—
Cash dividends paid ($.50 per share)	—	—	—	(718,344)	—
Amortization of restricted stock grants	—	—	—	—	101,411
Income tax expense related to restricted stock plans	—	(2,712)	—	—	—
Balances as of June 30, 1993	1,437,492	2,384,702	(108,918)	7,319,498	(85,554)
Net earnings	—	—	—	780,275	—
Issuance of 3,000 shares of common stock	3,000	27,750	—	—	(30,750)
Forfeiture of 3,750 shares of common stock	(3,750)	(27,031)	—	—	30,781
Translation adjustment	—	—	32,855	—	—
Cash dividends paid ($.50 per share)	—	—	—	(718,091)	—
Amortization of restricted stock grants	—	—	—	—	35,682
Income tax expense related to restricted stock plans	—	(1,551)	—	—	—
Balances as of June 30, 1994	1,436,742	2,383,870	(76,063)	7,381,682	(49,841)
Net earnings	—	—	—	1,226,246	—
Issuance of 12,000 shares of common stock	12,000	123,000	—	—	(135,000)
Forfeiture of 2,000 shares of common stock	(2,000)	(18,500)	—	—	20,500
Translation adjustment	—	—	132,173	—	—
Cash dividends paid ($.50 per share)	—	—	—	(721,122)	—
Amortization of restricted stock grants	—	—	—	—	67,234
Income tax benefit related to restricted stock plans	—	5,058	—	—	—
Balances as of June 30, 1995	$1,446,742	$2,493,428	$56,110	$7,886,806	$(97,107)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F. Restricted Stock Plans

The Company has a restricted stock plan whereby the Company can award up to 75,000 shares of common stock to employees. Sale of the stock awarded is restricted for two to five years from the date of grant. For the years ended June 30, 1995 and 1994, the Company awarded 12,000 and 3,000 shares of common stock which had a fair value at the date of grant of $135,000 and $30,750, respectively. Compensation under the plan is charged to earnings over the restriction period and amounted to $67,234, $18,907 and $57,949 in 1995, 1994 and 1993, respectively. At June 30, 1995, 8,750 shares were available for issuance.

The Company has a restricted stock plan for non-employee directors of the Company. Vesting is pro rata over a three-year period. Pursuant to the Plan, the maximum number of shares that may be granted is 16,200 shares. At July 1, 1991, the Company had awarded 10,800 shares of common stock which had a fair value at the date of grant of $164,699. Compensation under the plan is charged to earnings over the three years and amounted to $0, $16,755 and $43,463 in 1995, 1994 and 1993, respectively. At June 30, 1995, 5,400 shares were available for issuance.

The tax effect of income tax deductions that differ from compensation expense under these plans is credited or charged to additional paid-in capital.

UNITED STATES SURGICAL CORPORATION

Consolidated Statements Of Changes In Stockholders' Equity

(Dollars in thousands)	Preferred Stock	Additional Paid-in Capital-Preferred	Common Stock	Additional Paid-in Capital-Common	Retained Earnings	Accumulated Translation Adjustments	Installment Receivables from Sale of Common Stock
Balance at January 1, 1993			$6,400	$345,200	$330,700	$400	$(6,000)
Common stock issued to employees-net (626,079 shares)				12,100			
Income tax benefit from stock options exercised recognized upon adoption of FAS 109				14,400			
Payment received from officer on installment receivables							600
Aggregate adjustment resulting from the translation of foreign financial statements						(20,800)	
Common stock dividends paid ($.245 per share)					(13,700)		
Net loss					(138,700)		
Balance at December 31, 1993			6,400	371,700	178,300	(20,400)	(5,400)
Issuance of preferred stock (177,400 shares)	$900	$190,600					
Common stock issued to employees-net (577,991 shares)			100	7,900			
Income tax benefit from stock options exercised				1,100			
Payment received from officer on installment receivables							5,400
Aggregate adjustment resulting from the translation of foreign financial statements						12,300	
Preferred stock dividends					(14,900)		
Common stock dividends paid ($.08 per share)					(4,500)		
Net income					19,200		
Balance at December 31, 1994	900	190,600	6,500	380,700	178,100	(8,100)	0
Common stock issued to employees-net (329,799 shares)				5,300			
Income tax benefit from stock options exercised				8,200			
Aggregate adjustment resulting from the translation of foreign financial statements						10,400	
Preferred stock dividends					(19,500)		
Common stock dividends paid ($.08 per share)					(4,000)		
Net income					79,200		
Balance at December 31, 1995	$900	$190,600	$6,500	$394,200	$233,200	$2,300	$0

Note F (In Part): Income Taxes

The exercise of stock options which have been granted under the Company's various stock option plans and the vesting of restricted stock give rise to compensation which is includable in the taxable income of the applicable employees and deductible by the Company for federal and state income tax purposes. Such compensation results from increases in the fair market value of the Company's Common Stock subsequent to the date of grant of the applicable exercised stock options and restricted stock and, accordingly, in accordance with Accounting Principles Board Opinion No. 25, such compensation is not recognized as an expense for financial accounting purposes and the related tax benefits are taken directly to Additional Paid-in Capital. In the years ended December 31, 1990-1992 such deductions resulted in significant federal and state deductions which may be carried forward. Utilization of such deductions will increase Additional Paid-in Capital. The compensation deductions arising from the exercise of stock options were not material in 1993, 1994 and 1995.

WESTERN DIGITAL CORPORATION

Consolidated Statements Of Shareholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Shareholders' Equity
Balance at June 30, 1992	29,212	$2,921	$157,090	$(47,754)	$ —	$112,257
Exercise of stock options	376	38	1,373			1,411
Common stock offering, net	5,750	575	41,815			42,390
Net loss				(25,108)		(25,108)
Balance at June 30, 1993	35,338	3,534	200,278	(72,862)	—	130,950
Exercise of stock options	1,838	184	7,324			7,508
Common stock offering, net	7,619	762	72,531			73,293
Common stock issued upon conversion of debentures	24	2	352			354
Common stock issued in settlement of shareholder lawsuit	76	8	1,031			1,039
Income tax benefit from stock options exercised (Note 6)			1,959			1,959
Net income				73,136		73,136
Balance at June 30, 1994	44,895	4,490	283,475	274	—	288,239
Exercise of stock options	1,076	107	5,583			5,690
ESPP shares issued	484	48	5,557			5,605
Common stock issued upon conversion of debentures (Note 4)	4,027	403	56,987			57,390
Income tax benefit from stock options exercised (Note 6)			4,022			4,022
Purchase of treasury stock					(10,822)	(10,822)
Net income				123,302		123,302
Balance at July 1, 1995	50,482	$5,048	$355,624	$123,576	$(10,822)	$473,426

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

The domestic and international components of income (loss) before income taxes are as follows:

(In thousands)	1995	1994	1993
United States	$26,421	$(25,140)	$(63,753)
International	118,612	111,182	38,645
Income (loss) before income taxes	$145,033	$86,042	$(25,108)

The components of the provision for income taxes are as follows:

(In thousands)	1995	1994	1993
Current			
United States	$ 342	$ 337	$ —
International	15,941	4,313	1,671
State	310	620	183
	16,593	5,270	1,854
Deferred, net			
United States	1,867	4,857	(1,854)
International	(751)	820	—
	1,116	5,677	(1,854)
Additional paid-in capital from benefit of stock options exercised	4,022	1,959	—
Provision for income taxes	$21,731	$12,906	$ —

Warrants Issued

E.I. DU PONT DE NEMOURS AND COMPANY

Consolidated Statement Of Stockholders' Equity

	1995		1994		1993	
(Dollars in millions, except per share)	Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock, without par value—cumulative; 23,000,000 shares authorized; issued at December 31:						
$4.50 Series—1,672,594 shares (callable at $120)		$167		$167		$167
$3.50 Series—700,000 shares (callable at $102)		70		70		70
		237		237		237
Common Stock, $.60 par value; 900,000,000 shares authorized; issued:						
Balance January 1	681,004,944	408	677,577,437	407	675,008,236	405
Issuance of Shares in Connection with:						
Public and Private Offerings	27,339,375	16	—	—	—	—
Establishment of Flexitrust	24,000,000	14	—	—	—	—
Compensation Plans	2,698,405	3	3,427,507	1	2,569,201	2
Balance December 31	735,042,724	441	681,004,944	408	677,577,437	407
Additional Paid-in Capital (Note 20)						
Balance January 1		4,771		4,660		4,551
Changes due to:						
Public and Private Offerings		1,731		—		—
Common Stock Held by Flexitrust		1,662		—		—
Shares Issued by Flexitrust		(19)		—		—
Issuance of Warrants to Purchase Common Stock		439		—		—
Compensation Plans		105		111		109
Balance December 31		8,689		4,771		4,660
Reinvested Earnings						
Balance January 1		7,406		5,926		6,572
Net income		3,293		2,727		555
		10,699		8,653		7,127
Preferred Dividends		(10)		(10)		(10)
Common Dividends (1995—$2.03; 1994—$1.82; 1993—$1.76)		(1,186)		(1,237)		(1,191)
Total Dividends		(1,196)		(1,247)		(1,201)
Balance December 31		9,503		7,406		5,926
Less: Common Stock Held in Trust for Unearned Employee Compensation and Benefits (Flexitrust), at Market (Note 20)						
Balance January 1	—	—	—	—	—	—
Establishment of Flexitrust	24,000,000	1,626	—	—	—	—
Shares Issued	(453,824)	(31)	—	—	—	—
Adjustment to Market Value		50	—	—	—	—
Balance December 31	23,546,176	1,645	—	—	—	—
Less: Common Stock Held in Treasury, at Cost (Note 20)	156,000,000	8,789	—	—	—	—
Total Stockholders' Equity		$8,436		$12,822		$11,230

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

20. Stockholders' Equity

In April 1995, the company redeemed 156 million shares of its common stock from Seagram for $8,775 ($56.25 per share), including warrants valued at $439. In addition, related costs of $14 were incurred. These shares were held by the company as Treasury Stock at December 31, 1995. All of the warrants issued in this transaction were outstanding at December 31, 1995. In general, the warrants allow Seagram to purchase 48 million DuPont common shares for a 60-day period ending on October 6, 1997 at a price of $89 per share; 54 million shares for a 60-day period ending October, 6, 1998 at a price of $101 per share; and 54 million shares for a 60-day period ending on October 6, 1999 at a price of $114 per share. The warrants are exercisable sooner in connection with certain significant corporate events.

The warrants are not transferable until May 15, 1996. Following such date, the company would have the right to buy the warrants from Seagram before Seagram would be permitted to transfer the warrants to a third party. Any warrants that are transferred to non-affiliates of Seagram would be exercisable at any time prior to their expiration. The warrants contain standard anti-dilution adjustments.

In the second quarter of 1995, the company sold through public and private offerings 27,339,375 shares of newly issued common stock for $1,747, including 7,789,375 shares that were sold to the DuPont Pension Trust Fund for $500 (or $64.19 a share). The company also established a Flexitrust that will effect the sale or distribution of common stock to satisfy existing employee compensation and benefit programs. In May, DuPont issued 24 million shares of common stock to the Flexitrust in return for a $1,612 promissory note and $14 in cash. At December 31, 1995, 23,546,176 shares with a market value of $1,645 were held by the Flexitrust.

Treasury Stock Retired

GEORGIA GULF CORPORATION

Consolidated Statements Of Changes In Stockholders' Equity (Deficit)

	Common Stock		Additional Paid-in	Retained Earnings	Total Stockholders'
(In thousands, except share data)	Shares	Amount	Capital	(Deficit)	Equity (Deficit)
Balance, December 31, 1992	40,293,639	$403	$157,792	$(319,360)	$(161,165)
Net income	—	—	—	41,934	41,934
Tax benefit realized from stock option plans	—	—	1,934	—	1,934
Common stock issued upon exercise of stock options	450,425	5	3,474	—	3,479
Common stock issued under stock purchase plan	207,507	2	3,239	—	3,241
Balance, December 31, 1993	40,951,571	410	166,439	(277,426)	(110,577)
Net income	—	—	—	122,160	122,160
Tax benefit realized from stock option plans	—	—	6,291	—	6,291
Compensation related to stock option plans	—	—	2,475	—	2,475
Common stock issued upon exercise of stock options	809,605	8	6,753	—	6,761
Common stock issued under stock purchase plan	251,940	2	4,026	—	4,028
Balance, December 31, 1994	42,013,116	420	185,984	(155,266)	31,138
Net income	—	—	—	186,494	186,494
Dividends paid	—	—	—	(12,284)	(12,284)
Tax benefit realized from stock option plans	—	—	2,364	—	2,364
Common stock issued upon exercise of stock options	270,214	3	2,139	—	2,142
Common stock issued under stock purchase plan	127,722	1	3,338	—	3,339
Purchase and retirement of common stock	(5,170,800)	(52)	(162,513)	—	(162,565)
Balance, December 31, 1995	37,240,252	$372	$ 31,312	$ 18,944	$ 50,628

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Stockholders' Equity

In April 1990, the Company's stockholders approved a Plan of Recapitalization (the "Recapitalization"), which resulted in an increase of 9,158,660 outstanding common shares and a distribution to stockholders of $864,733,000. The distribution for the Recapitalization, net of certain tax benefits, was charged against retained earnings.

During 1995, the Company purchased 5,170,800 shares of common stock for $162,565,000. As of December 31, 1995, the Company had authorization to purchase up to 2,799,200 additional shares under the current common stock repurchase program.

SHAW INDUSTRIES, INC.

Consolidated Statements Of Shareholders' Investment

	Common Stock		Paid-in	Cumulative Translation	Retained	Unearned
	Shares	Amount	Capital	Adjustment	Earnings	Compensation
Balance, December 26, 1992	70,754,848	$78,538,000	$286,703,000	$ —	$256,329,000	$(1,267,000)
Net income	—	—	—	—	117,636,000	—
Issuance of stock in acquisition	142,147	157,000	6,288,000	—	—	—
Issuance of two-for-one stock split	71,754,831	79,648,000	(79,648,000)	—	—	—
Exercise of stock options	970,636	1,079,000	3,898,000	—	—	—
Purchase and retirement of common stock	(100,000)	(111,000)	(3,282,000)	—	—	—
Cumulative translation adjustment	—	—	—	(594,000)	—	—
Tax benefit on disqualified dispositions of stock options	—	—	3,389,000	—	—	—
Amortization of unearned compensation	—	—	—	—	—	798,000
Cash dividends paid ($.18 per share)	—	—	—	—	(25,731,000)	—
Balance, January 1, 1994	143,522,462	159,311,000	217,348,000	(594,000)	348,234,000	(469,000)
Net income	—	—	—	—	127,026,000	—
Purchase and retirement of common stock	(7,173,300)	(7,962,000)	(102,427,000)	—	—	—
Exercise of discounted stock options	102,840	114,000	(475,000)	—	—	—
Exercise of stock options	565,400	627,000	814,000	—	—	—
Cumulative translation adjustment	—	—	—	(1,221,000)	—	—
Tax benefit on disqualified dispositions of stock options	—	—	3,375,000	—	—	—
Amortization of unearned compensation	—	—	—	—	—	469,000
Cash dividends paid ($.22 per share)	—	—	—	—	(31,145,000)	—
Balance, December 31, 1994	137,017,402	152,090,000	118,635,000	(1,815,000)	444,115,000	—
Net income	—	—	—	—	52,304,000	—
Purchase and retirement of common stock	(1,384,200)	(1,537,000)	(19,053,000)	—	—	—
Exercise of stock options	323,400	360,000	2,136,000	—	—	—
Cumulative translation adjustment	—	—	—	3,710,000	—	—
Cash dividends paid ($.30 per share)	—	—	—	—	(40,756,000)	—
Balance, December 30, 1995	135,956,602	$150,913,000	$101,718,000	$1,895,000	$455,663,000	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Shareholders' Investment

The Company's board of directors has approved a stock repurchase plan whereby the Company's management is authorized to repurchase up to an additional 7,380,748 shares of the Company's common stock. For the year ended December 30, 1995, a total of 1,384,200 shares of the Company's common stock had been purchased and retired at a cost of $20,590,000.

Elimination Of Par Value

MOSINEE PAPER CORPORATION

Consolidated Statements Of Stockholders' Equity

($ in thousands, except share data)	Common Stock-Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
Balances December 31, 1992	10,393,823	$25,984	$13,851	$49,923	(3,245,380)	($17,688)	$ 72,070
Net income, 1993				9,637			9,637
Cash dividends declared on Mosinee common stock				(2,574)			(2,574)
Balances December 31, 1993	10,393,823	25,984	13,851	56,986	(3,245,380)	(17,688)	79,133
Net income, 1994				12,291			12,291
Cash dividends declared on Mosinee common stock				(2,573)			(2,573)
Balances December 31, 1994	10,393,823	25,984	13,851	66,704	(3,245,380)	(17,688)	88,851
Net income, 1995				15,185			15,185
Cash dividends declared on Mosinee common stock				(2,830)			(2,830)
Elimination of par value		13,851	(13,851)				
10% stock dividend	1,039,382	18,483		(18,843)	(325,085)	(14)	(14)
Balances December 31, 1995	11,433,205	$58,678	$ 0	$60,216	(3,570,465)	($17,702)	$101,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Stockholders' Equity

On April 20, 1995, the shareholders of the company approved a resolution which amended the company's Restated Articles of Incorporation to increase the number of authorized shares of common stock from 15,000,000 shares, par value $2.50, to 30,000,000 shares, without par value. The additional paid-in capital account has been combined with common stock as presented in the Consolidated Statements of Stockholders' Equity.

Repayment Of Insider Profits

PLASMA-THERM, INC.

Consolidated Statements Of Shareholders' Equity

	Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares Issued	Amount	Amount	Amount
Balance at November 30, 1992	8,086,561	$ 80,867	$ 7,246,110	$ 938,584
Exercise of stock options (inclusive of income tax benefits)	139,000	1,390	54,904	—
Compensation on unexercised stock options	—	—	67,665	—
Net income	—	—	—	233,148
Balance at November 30, 1993	8,225,561	82,257	7,368,679	1,171,732
Exercise of stock options (inclusive of income tax benefits)	203,000	2,030	324,925	—
Compensation on unexercised stock options	—	—	192,253	—
Net income	—	—	—	1,963,019
Balance at November 30, 1994	8,428,561	84,287	7,885,857	3,134,751
Exercise of stock options (inclusive of income tax benefits)	101,000	1,010	222,621	—
Exercise of warrants (inclusive of income tax benefits)	250,000	2,500	524,939	—
Compensation on unexercised stock options	—	—	183,908	—
Sale of 1,500,000 shares of common stock, net of offering costs	1,500,000	15,000	5,744,097	—
Repayment of obligations under Section 16(b) of the Securities Exchange Act of 1934	—	—	84,353	—
Net income	—	—	—	1,088,942
Balance at November 30, 1995	10,279,561	$102,797	$14,645,775	$4,223,693

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Shareholders' Equity

Obligations under Section 16(b) of the Securities Exchange Act of 1934

In 1995, two officers of the Company inadvertently incurred obligations to the Company of approximately $16,000 and $69,000, respectively, under Section 16(b) of the Securities Exchange Act of 1934 arising out of grants of options to them under the Company's 1988 Stock Option Plan and the sale of shares they acquired on the exercise of options within a six month period. The obligations were paid back to the Company in full.

Corporate Inversion

TOYS "R" US, INC.

Consolidated Statements Of Stockholders' Equity

	Common Stock						
	Issued		In Treasury				
(In millions)	Shares	Amount	Shares	Amount	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments
Balance, January 30, 1993	297.9	$29.8	(4.9)	$(150.4)	$465.5	$2,529.8	$14.3
Net earnings for the year	—	—	—	—	—	483.0	—
Share repurchase program	—	—	(4.9)	(183.2)	—	—	—
Exercise of stock options	—	—	1.4	41.2	(21.5)	—	—
Tax benefit from exercise of stock options	—	—	—	—	10.0	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	(70.3)
Balance, January 29, 1994	297.9	29.8	(8.4)	(292.4)	454.0	3,012.8	(56.0)
Net earnings for the year	—	—	—	—	—	531.8	—
Share repurchase program	—	—	(13.1)	(469.7)	—	—	—
Exercise of stock options	0.1	—	1.1	41.9	(21.9)	—	—
Tax benefit from exercise of stock options	—	—	—	—	6.1	—	—
Exchange with and sale of stock to Petrie Stores Corporation	—	—	2.2	78.5	83.1	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	30.9
Balance, January 28, 1995	298.0	29.8	(18.2)	(641.7)	521.3	3,544.6	(25.1)
Net earnings for the year	—	—	—	—	—	148.1	—
Share repurchase program	—	—	(7.6)	(200.2)	—	—	—
Exercise of stock options	—	—	.9	34.2	(19.8)	—	—
Tax benefit from exercise of stock options	—	—	—	—	3.1	—	—
Corporate inversion	2.4	0.2	(2.4)	(38.4)	38.2	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	38.0
Balance, February 3, 1996	300.4	$30.0	(27.3)	$(846.1)	$542.8	$3,692.7	$12.9

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

Stockholders' Equity (In Part):

Effective January 1, 1996, the Company formed a new parent company (the "Surviving Company"), thus making the former parent company (the "Predecessor Company") a wholly-owned subsidiary of the Surviving Company. As a result of this corporate inversion, each share of common stock of the Predecessor Company was converted into one share of common stock of the Surviving Company.

In April 1994, the Company entered into an agreement with Petrie Stores Corporation ("Petrie"), the then holder of 14% of the Company's outstanding Common Stock. Pursuant to such agreement, the Company consummated a transaction with Petrie on January 24, 1995, wherein 42.1 shares of the Company's common stock were issued from its treasury in exchange for 39.9 shares of the Company's common stock and $165.0 in cash.

Put Options

UNION CARBIDE CORPORATION

Consolidated Statement Of Stockholders' Equity

	1995		1994		1993	
	Shares (In thousands)	Millions of dollars	Shares (In thousands)	Millions of dollars	Shares (In thousands)	Millions of dollars
Common Stock						
Balance at January 1	154,610	$ 155	154,610	$ 155	135,513	$ 136
Issued:						
For the Dividend Reinvestment and Stock Purchase Plan		—		—	134	—
For employee savings and incentive plans		—		—	2,463	2
Conversion of debentures		—		—	16,500	17
Balance at December 31	154,610	$ 155	154,610	$ 155	154,610	$ 155
Additional Paid-In Capital						
Balance at January 1		$ 369		$ 366		$ 100
Proceeds from the sale of put options		2		3		1
Reclassification of put option obligations		(21)		(3)		(2)
Issued:						
For the Dividend Reinvestment and Stock Purchase Plan		1		1		2
For employee savings and incentive plans		(8)		2		19
Conversion of debentures		—		—		246
Balance at December 31		$ 343		$ 369		$ 366
Translation and Other Equity Adjustments						
Balance at January 1		$ (59)		$ (84)		$ (71)
Translation and other adjustments		(11)		7		(11)
Sale of businesses		55		18		(2)
Balance at December 31		$ (15)		$ (59)		$ (84)
Retained Earnings						
Balance at January 1		$1,333		$1,067		$1,119
Net income—common stockholders		915		379		58
Cash dividends on common stock		(103)		(113)		(110)
Balance at December 31		$2,145		$1,333		$1,067
Less: Treasury Stock						
Balance at January 1	10,197	$ 289	4,062	$ 76	2,649	$ 46
Common stock repurchase program	14,127	426	11,624	337	3,688	71
Issued:						
For the Dividend Reinvestment and Stock Purchase Plan	(322)	(9)	(275)	(6)	(322)	(6)
For employee savings and incentive plans	(4,500)	(123)	(5,214)	(118)	(1,953)	(35)
Balance at December 31	19,502	$ 583	10,197	$ 289	4,062	$ 76
Total Stockholders' Equity		$2,045		$1,509		$1,428

NOTES TO FINANCIAL STATEMENTS

12 (In Part): UCC Stockholders' Equity

On July 26, 1995, the board of directors of the corporation increased the number of shares that may be repurchased under the existing common stock repurchase program to 40 million shares. Through Dec. 31, 1995, the corporation had repurchased 29,439,478 shares since inception of the program in 1993 (14,127,218 during 1995) at an average effective price of $28.18 per share. The corporation will continue to acquire additional shares from time to time at prevailing market prices, at a rate consistent with the combination of corporate cash flow and market conditions.

In conjunction with the corporation's common stock buyback program, put options were sold in a series of private placements entitling the holders to sell 6.4 million shares of common stock to UCC, at specified prices upon exercise of the options. Since inception of this program through Dec. 31, 1995, options representing 4,563,800 common shares have expired unexercised,

while options representing 1,136,200 shares were exercised for $35 million, or an average price of $30.86 per share. Options representing 700,000 shares remain outstanding at Dec. 31, 1995. Premiums received since inception of the program have reduced the average price of repurchased shares to $28.18 per share from $28.36.

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.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Foreign Currency Translation

Cumulative translation adjustments, which represent the effect of translating assets and liabilities of the company's non-U.S. entities, except those in highly inflationary economies, were:

(Dollars in millions)	1995	1994	1993
Balance, January 1	$301	$332	$208
Effect of balance sheet translations:			
Amount	21	(43)	141
Tax effect	5	12	(17)
Balance, December 31	$327	$301	$332

Included in net earnings were losses of $33 million in 1995, $44 million in 1994 and a gain of $21 million in 1993 resulting from foreign currency transactions and translation adjustments.

ETHYL CORPORATION (DEC)

Consolidated Statements Of Shareholders' Equity

	1995		1994		1993	
(In thousands of dollars, except share data)	Shares	Amounts	Shares	Amounts	Shares	Amounts
Common stock (authorized 400,000,000 shares)						
Beginning balance	118,434,401	$118,434	118,405,287	$118,405	118,357,515	$118,358
Issued upon exercise of stock options and SARs	9,434	10	75,723	76	75,714	75
Purchased and retired	—	—	(46,609)	(47)	(27,942)	(28)
Ending balance	118,443,835	118,444	118,434,401	118,434	118,405,287	118,405
Additional paid-in capital						
Beginning balance		2,706		2,450		1,708
Exercise of stock options and SARs		93		858		1,374
Retirement of purchased common stock		—		(602)		(621)
Distribution of common stock under bonus plan		—		—		(11)
Ending balance		2,799		2,706		2,450
Foreign currency translation adjustments						
Beginning balance		(2,253)		(1,757)		9,840
Translation adjustments		4,343		3,647		(11,597)
Spin-off of Albemarle Corporation		—		(4,143)		—
Ending balance		2,090		(2,253)		(1,757)
Unrealized gain on marketable equity securities						
Beginning balance		—		—		64,901
Unrealized gains		—		—		13,326
Spin-off of First Colony Corporation		—		—		(78,227)
Ending balance		—		—		—
Retained earnings						
Beginning balance		272,050		633,483		1,206,472
Net income		73,963		97,755		175,505
Cash dividends declared:						
First Preferred stock, $6.00 per share		—		(12)		(12)
Common stock, $.50 per share in 1995 and 1994 and $.60 per share in 1993		(59,218)		(59,215)		(71,033)
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		286,795		272,050		633,483
Total shareholders' equity		$410,128		$390,937		$752,581

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation

The financial statements of all foreign subsidiaries were prepared in their respective local currencies and translated into U.S. dollars based on the current exchange rate at the end of the period for the balance sheet and a weighted-average rate for the period on the statement of income. Translation adjustments (net of deferred income tax benefits of $262,000, $1,481,000 and $1,164,000 in 1995, 1994 and 1993, respectively), are reflected as foreign currency translation adjustments in Shareholders' Equity and accordingly have no effect on net income. Transaction adjustments for all foreign subsidiaries are included in income.

13. Gains On Foreign Currency

Foreign currency transaction adjustments resulted in gains of $1,827,000 in 1995, $1,968,000 in 1994 and $1,725,000 in 1993 and are included in income.

HALLIBURTON COMPANY (DEC)

Consolidated Statements Of Income

(Millions of dollars)	1995	1994	1993
Revenues			
Energy services	$2,623.4	$2,514.0	$2,953.4
Engineering and construction services	3,075.3	2,996.2	3,140.7
Total revenues	$5,698.7	$5,510.2	$6,094.1
Operating income (loss)			
Energy services	$ 313.7	$ 191.8	$ (148.4)
Engineering and construction services	103.0	67.2	78.9
General corporate	(33.5)	(22.9)	(22.0)
Total operating income (loss)	383.2	236.1	(91.5)
Interest expense	(46.2)	(47.1)	(50.1)
Interest income	27.8	16.1	14.0
Foreign currency gains (losses)	1.5	(16.0)	(20.8)
Gain on sale of compression services	—	102.0	—
Other nonoperating income, net	0.3	0.4	0.7
Income (loss) from continuing operations before income taxes and minority interests	$ 366.6	$ 291.5	$ (147.7)

Consolidated Statements Of Shareholders' Equity

(Millions of dollars)	1995	1994	1993
Cumulative translation adjustment:			
Balance at beginning of year	$(23.1)	$(24.8)	$(15.6)
Sale of geophysical business	—	(2.1)	—
Other changes net of tax of $(.5) in 1995, $1.1 in 1994 and $3.6 in 1993	(4.9)	3.8	(9.2)
Balance at end of year	$(28.0)	$(23.1)	$(24.8)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Foreign Currency Translation

Foreign entities whose functional currency is the U.S. dollar translate monetary assets and liabilities at year-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except for depreciation and cost of product sales which are translated at historical rates. Gains or losses from changes in exchange rates are recognized in consolidated income in the year of occurrence. Foreign entities whose functional currency is the local currency translate net assets at year-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the Shareholders' Equity section titled "Cumulative translation adjustment".

JLG INDUSTRIES, INC.

Consolidated Statements Of Shareholders' Equity

(In thousands except per share data)	Capital Stock Shares	Capital Stock Par Value	Additional Paid-in Capital	Equity Adjustment from Translation	Retained Earnings	Treasury Stock
Balances at July 31, 1992	14,431	$2,886	$ 9,870	$ (41)	$24,471	
Net income for the year					3,229	
Aggregate translation adjustment, net of deferred tax benefit of $1,308				(1,993)		
Contribution to employee stock ownership plan	195	39	478			
Balances at July 31, 1993	14,626	2,925	10,348	(2,034)	27,700	
Net income for the year					9,536	
Dividends paid: $.025 per share					(352)	
Aggregate translation adjustment, net of deferred tax benefit of $1,032				135		
Stock option transactions	68	14	309			
Purchase of treasury stock	(823)					(3,500)
Contribution to employee stock ownership plan	98		204			421
Balances at July 31, 1994	13,969	2,939	10,861	(1,899)	36,884	(3,079)
Net income for the year					20,758	
Dividends paid: $.0275 per share					(389)	
Aggregate translation adjustment, net of deferred tax benefit of $837				100		
Retirement of treasury stock		(120)	(2,440)			2,560
Stock option transactions	184	36	1,060			
Contribution to employee stock ownership plan	122		640			519
Balances at July 31, 1995	14,275	$2,855	$10,121	$(1,799)	$57,253	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Translation of Foreign Currencies

The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. The gains or losses resulting from translation are included in shareholders' equity.

MOBIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Foreign Currency Translation
The function currency for most foreign operations is the local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in Cumulative Foreign Exchange Translation Adjustment in Shareholders' Equity. The U.S. dollar is used as the functional currency for operations in highly inflationary foreign economies and for exploration and producing operations in Indonesia, Nigeria and Australia. For all operations, gains or losses from remeasuring foreign currency transactions into the functional currency are included in income.

17. Foreign Currency

Foreign exchange transaction losses of $29 million in 1993, and gains of $70 million in 1994 and $8 million in 1995 were included in income. These include amounts applicable to companies accounted for on the equity method.

The effect of foreign currency translation on Mobil's balance sheet accounts is summarized in the following table:

Cumulative foreign exchange translation adjustment (In millions)

At December 31	1993	1994	1995
Properties, plants and equipment, net	$(838)	$(273)	$(124)
Deferred income taxes	(104)	(199)	(252)
Working capital, debt and other items, net	416	349	349
Total	$(526)	$(123)	$(27)

THOMAS & BETTS CORPORATION

Consolidated Statement Of Shareholders' Equity

(In thousands, except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Marketable Securities	Cumulative Translation Adjustment	Treasury Stock Shares	Treasury Stock Amount
Balance at December 31, 1992	37,612	$18,806	$109,647	$334,278	$ —	$3,054	(86)	$(2,723)
Net earnings	—	—	—	56,539	—	—	—	—
Dividends declared ($1.12 per share)	—	—	—	(42,200)	—	—	—	—
Stock options and incentive awards	240	120	6,290	—	—	—	(20)	(866)
Translation adjustments, net of taxes of $1,059	—	—	—	—	—	(2,093)	—	—
Balance at January 2, 1994	37,852	18,926	115,937	348,597	—	961	(106)	(3,589)
Net earnings	—	—	—	67,820	—	—	—	—
Unrealized gain upon adoption of SFAS 115, net of taxes of $839	—	—	—	—	1,556	—	—	—
Unrealized loss on marketable securities, net of taxes of ($344)	—	—	—	—	(689)	—	—	—
Dividends declared ($1.12 per share)	—	—	—	(43,406)	—	—	—	—
Stock options and incentive awards	190	95	4,872	—	—	—	28	980
Business acquisitions and investments	1,246	623	38,660	—	—	—	—	—
Translation adjustments, net of taxes of $915	—	—	—	—	—	1,700	—	—
Balance at January 1, 1995	39,288	19,644	159,469	373,011	867	2,661	(78)	(2,609)
Poolings of interests	656	328	1,616	2,309	—	—	—	—
Net earnings	—	—	—	80,902	—	—	—	—
Unrealized loss on marketable securities, net of taxes of ($55)	—	—	—	—	(81)	—	—	—
Dividends declared ($1.12 per share)	—	—	—	(44,238)	—	—	—	—
Stock options and incentive awards	228	114	5,930	—	—	—	(18)	(685)
Translation adjustments, net of taxes of $719	—	—	—	—	—	1,336	—	—
Balance at December 31, 1995	40,172	$20,086	$167,015	$411,984	$786	$3,997	(96)	$(3,294)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Foreign Exchange

The Corporation becomes exposed to exchange rate risk when its U.S. and non-U.S. subsidiaries enter into transactions denominated in currencies other than their functional currency. The Corporation enters into foreign exchange contracts to hedge, where possible, this risk. As exchange rates change, gains and losses recorded on the exposed transactions are offset by those on the hedging contracts. Both the exposed transactions and the hedging contracts are marked to market monthly with gains and losses included in earnings. A high correlation is maintained between the transactions and the hedges to minimize currency risk, and the high creditworthiness of the counterparties to the hedging contracts (financial institutions having at least a single-A credit rating) minimizes non-performance risk. The Corporation does not enter into foreign exchange contracts for trading purposes.

At December 31, 1995 and January 1, 1995, the Corporation had outstanding contracts to sell $76.9 and $69.5 million, respectively, of principally Canadian and European currencies for U.S. dollars and to buy the equivalent of $22.0 and $4.6 million, respectively, of European currencies, all maturing within 180 days.

12 (In Part): Other Financial Data

Other expense—net for continuing operations consists of the following:

(In thousands)	1995	1994	1993
Investment income	$ 6,508	$ 6,103	$ 4,840
Interest expense	(27,600)	(26,852)	(30,247)
Foreign currency losses	(100)	(1,634)[1]	(1,984)
Foreign exchange contract gains (losses)	(104)	(1,195)	1,202
Other	995	(494)	(927)
	$(20,301)	$(24,072)	$(27,116)

[1] Includes loss on unhedged Mexican liabilities.

Section 5: Statement of Cash Flows

Effective for fiscal years ending after July 15, 1988, *Statement of Financial Accounting Standards No. 95* requires enterprises to present a Statement of Cash Flows which classifies cash receipts and payments by operating, investing, and financing activities. *SFAS No. 95* supersedes *APB Opinion No. 19* which required a statement summarizing changes in financial position.

SFAS No. 95 "encourages" enterprises to use the direct method of reporting cash flows from operating activities. Fifteen survey companies used the direct method.

This section reviews the format and content of the Statement of Cash Flows.

PRESENTATION IN ANNUAL REPORT

Table 5-1 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

	1995	1994	1993	1992
Final statement	317	315	321	325
Follows income statement and balance sheet	249	249	240	234
Between income statement and balance sheet	34	36	39	41
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

	1995	1994	1993	1992
Cash Flows	583	583	587	589
Cash Flow	17	17	13	11
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

	1995	1994	1993	1992
Indirect method	585	586	585	585
Direct method	15	14	15	15
Total Companies	**600**	**600**	**600**	**600**

Direct Method

AST RESEARCH, INC.

Consolidated Statements Of Cash Flows

(In thousands)	Fiscal Year 1995	1994	1993
Cash Flows from Operating Activities:			
Cash received from customers	$2,423,705	$2,274,978	$1,322,831
Cash paid to suppliers and employees	(2,537,459)	(2,294,380)	(1,373,528)
Interest received	2,428	2,052	4,583
Interest paid	(9,937)	(3,149)	(1,373)
Income tax refunds received	6,099	1,989	—
Income taxes paid	(9,895)	(22,210)	(13,008)
Other cash received (paid)	5,285	460	(7,923)
Net cash used in operating activities	(119,774)	(40,260)	(68,418)
Cash Flows from Investing Activities:			
Purchases of capital equipment	(26,080)	(30,045)	(20,894)
Proceeds from disposition of capital equipment	4,474	10,673	1,146
Purchases of other assets	(12,022)	(1,484)	(560)
Payment related to Tandy/GRiD acquisition	—	(15,000)	—
Purchases of short-term investments	—	—	(35,155)
Proceeds from short-term investments	—	—	87,986
Net cash provided by (used in) investing activities	(33,628)	(35,856)	32,523
Cash Flows from Financing Activities:			
Short-term borrowings, net	106,000	(9,217)	58,417
Repayment of long-term debt	(391)	(520)	(355)
Proceeds from issuance of long-term debt	23	107,974	—
Proceeds from issuance of common stock	785	9,561	4,948
Net cash provided by financing activities	106,417	107,798	63,010
Effect of exchange rate changes on cash and cash equivalents	(10,308)	(164)	6,611
Net increase (decrease) in cash and cash equivalents	(57,293)	31,518	33,726
Cash and cash equivalents at beginning of year	153,118	121,600	87,874
Cash and cash equivalents at end of year	$ 95,825	$ 153,118	$ 121,600

TABLE 5-4: INTEREST AND INCOME TAX PAYMENTS

	1995	**1994**	**1993**	**1992**
Interest Payments				
Notes to financial statements	329	344	347	354
Bottom of Statement of Cash Flows	248	230	224	219
Within Statement of Cash Flows	17	16	17	17
Amount not disclosed	11	10	12	10
Total Companies	**600**	**600**	**600**	**600**
Income Tax Payments				
Notes to financial statements	332	348	347	355
Bottom of Statement of Cash Flows	240	227	223	218
Within Statement of Cash Flows	22	19	21	21
Amount not disclosed	6	6	9	6
Total Companies	**600**	**600**	**600**	**600**

	Fiscal Year		
(In thousands)	1995	1994	1993
Reconciliation of net income (loss) to net cash used in operating activities:			
Net income (loss)	$ (99,309)	$ 31,309	$(53,738)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	25,311	25,861	13,222
Provision (benefit) for deferred income taxes	(25,318)	8,983	(55,438)
Gain on sale of capital equipment	(870)	(4,286)	—
Pen-based inventory write-off	—	33,600	—
Change in operating assets and liabilities, net of effects of acquisition:			
Accounts receivable	(58,714)	(86,290)	(97,059)
Inventories	22,260	(19,808)	(59,809)
Other current assets	12,798	3,317	(552)
Accounts payable and accrued expenses	1,446	(14,093)	137,496
Income taxes payable	(2,266)	(17,377)	28,230
Other current liabilities	6,546	(3,573)	19,785
Exchange (gains) losses	(1,658)	2,097	(555)
Net cash used in operating activities	$(119,774)	$(40,260)	$(68,418)

Supplemental schedule of noncash investing and financing activities:

The Company purchased certain assets relating to Tandy Corporation's personal computer operations effective June 30, 1993. In addition, the Company purchased certain assets relating to Tandy/GRiD France's personal computer operations effective September 1, 1993. In conjunction with the acquisitions, liabilities were assumed as follows:

	1995	1994	1993
Fair value of assets acquired	—	$16,571	$151,000
Note payable and cash due Tandy	—	(6,720)	(105,000)
Liabilities assumed	—	$ 9,851	$ 46,000
Tax benefit of employee stock options	—	$ 1,823	$ 3,980

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, certificates of deposit, time deposits, commercial paper, short-term government obligations and other money market instruments. The Company invests its excess cash in deposits with major international banks, 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.

ROWE FURNITURE CORPORATION

Consolidated Statements Of Cash Flows

(in thousands)	12/3/95	Year Ended 11/27/94	11/28/93
Increase (Decrease) In Cash			
Cash Flows from Operating Activities:			
Cash received from customers	$122,918	$109,369	$84,327
Cash paid to suppliers and employees	(113,063)	(104,533)	(80,209)
Income taxes paid, net of refunds	(1,911)	(3,876)	(2,694)
Interest paid	(388)	(208)	(315)
Interest received	232	188	224
Other receipts - net	800	1,239	1,125
Net cash and cash equivalents provided by operating activities	8,588	2,179	2,458
Cash Flows from Investing Activities:			
Proceeds from sale of property and equipment	6,594	2	17
Capital expenditures	(10,686)	(4,961)	(870)
Sale (acquisitions) of marketable securities	137	191	(24)
Net cash used in investing activities	(3,955)	(4,768)	(877)
Cash Flows from Financing Activities:			
Net borrowings (payments) under line of credit	(601)	2,736	—
Proceeds from issuance of long term debt	200	200	—
Payments to reduce long-term debt	(455)	(2,363)	(1,481)
Proceeds from issuance of common stock	122	3,578	913
Dividends paid	(1,090)	(798)	(518)
Purchase of treasury stock	(2,957)	(2,096)	(816)
Net cash provided by (used in) financing activities	(4,781)	1,257	(1,902)
Net increase (decrease) in cash and cash equivalents	(148)	(1,332)	(321)
Cash at beginning of year	471	1,803	2,124
Cash at end of year	$ 323	$ 471	$ 1,803

Reconciliation Of Net Earnings To Net Cash Provided By Operating Activities

Net earnings	$7,207	$6,782	$5,090
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	2,175	1,888	1,722
Provision for deferred compensation	634	554	627
Payments made for deferred compensation	(449)	(1,730)	(371)
Deferred income taxes	2,150	404	(160)
Provision for losses on accounts receivable	179	68	127
Loss (gain) on disposition of assets	(5,253)	(2)	2
Loss (gain) on sale of marketable securities	—	(18)	—
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(2,021)	(1,832)	(4,634)
Decrease (increase) in inventories	(1,127)	(2,008)	(2,551)
Decrease (increase) in prepaid expenses	(293)	(78)	150
Decrease (increase) in cash value of life insurance	(140)	(120)	1
Decrease (increase) in other assets	320	135	157
Increase (decrease) in accounts payable	4,080	(1,633)	2,368
Increase (decrease) in accrued expenses	1,126	(231)	420
Total adjustments	1,381	(4,603)	(2,632)
Net cash provided by operating activities	$8,588	$2,179	$2,458

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of Cash Flows-For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reconciliation Of Net Income To Net Cash Flow From Operating Activities

BROWNING-FERRIS INDUSTRIES, INC.

Consolidated Statement Of Cash Flows

	Year Ended September 30,		
(In Thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$384,561	$278,710	$197,440
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization -			
Property and equipment	476,384	391,639	319,619
Goodwill	43,519	19,277	9,003
Other intangible assets	31,967	33,276	37,859
Reorganization charge	—	—	27,000
Deferred income tax expense	23,450	23,458	732
Amortization of deferred investment tax credit	(706)	(706)	(1,023)
Provision for losses on accounts receivable	26,620	31,346	18,657
Gains on sales of fixed assets	(4,724)	(5,167)	(667)
Equity in earnings of unconsolidated affiliates, net of dividends received	(28,535)	(19,442)	(16,060)
Minority interest in income of consolidated subsidiaries, net of dividends paid	26,344	15,501	21
Increase (decrease) in cash from changes in assets and liabilities excluding effects of acquisitions:			
Trade receivables:	(70,069)	(112,586)	(46,605)
Inventories	(5,466)	2,606	508
Other assets	52,625	(14,563)	13,316
Other liabilities	74,519	50,579	54,165
Total adjustments	645,928	415,218	416,525
Net cash provided by operating activities	1,030,489	693,928	613,965
Cash Flows from Investing Activities:			
Capital expenditures	(929,596)	(694,476)	(606,240)
Payments for businesses acquired	(769,369)	(398,734)	(83,786)
Investments in unconsolidated affiliates	(29,530)	(54,342)	(52,035)
Proceeds from disposition of assets	159,217	74,797	24,554
Purchases of short-term investments	(42,179)	—	(30,003)
Sales of short-term investments	201,924	147,424	173,922
Return of investment in unconsolidated affiliates	38,637	30,431	49,497
Net cash used in investing activities	(1,370,896)	(894,899)	(524,091)
Cash Flows From Financing Activities:			
Proceeds from issuances of stock	15,363	450,876	45,337
Proceeds from issuances of indebtedness	1,062,652	175,111	51,468
Repayments of indebtedness	(591,884)	(246,761)	(76,455)
Dividends paid	(134,139)	(122,944)	(115,519)
Net cash provided by (used in) financing activities	351,992	256,282	(95,169)
Effect of exchange rate changes	2,092	946	(6,516)
Net increase (decrease) in cash	13,677	56,260	(11,811)
Cash at beginning of year	79,131	22,871	34,682
Cash at end of year	$ 92,808	$ 79,131	$ 22,871
Supplemental Disclosure of Cash Paid For:			
Interest, net of capitalized amounts	$153,576	$ 97,996	$ 72,960
Income taxes	$205,544	$174,005	$138,498

DSC COMMUNICATIONS CORPORATION

Consolidated Statements Of Cash Flows

(In thousands)	Years ended December 31, 1995	1994	1993
Cash Flows from Operating Activities			
Net income	$192,680	$162,626	$ 81,660
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	81,218	53,698	44,334
Amortization of capitalized software development costs	21,591	19,460	17,545
Deferred income taxes	(31,888)	—	—
Income tax benefit related to stock options	49,987	24,055	5,800
Utilization of preacquisition net operating loss carryforwards	—	—	8,300
Other	938	4,772	(2,888)
Changes in operating assets and liabilities:			
Increase in current and long-term receivable	(33,149)	(89,616)	(51,084)
Increase in inventories	(129,234)	(33,188)	(31,444)
Increase in other current assets	(1,603)	(9,265)	(3,966)
Increase in current payables and accruals	67,178	74,402	1,101
Increase in noncurrent income taxes and other liabilities	10,241	15,393	9,961
Net cash provided by operating activities	227,959	222,337	79,319
Cash Flows from Investing Activities			
Business acquisition, net of acquired cash	—	(135,696)	—
Purchases of property and equipment	(154,748)	(141,177)	(71,028)
Additions to capitalized software development costs	(26,829)	(24,558)	(21,947)
Purchases of marketable securities	(1,014,304)	(312,297)	(178,635)
Proceeds from sales and maturities of marketable securities	927,234	246,569	19,715
Purchase of long-term investment security	(17,500)	(12,500)	—
Other	(341)	(2,980)	5,449
Net cash used for investing activities	(286,488)	(382,639)	(246,446)
Cash Flows from Financing Activities			
Increase in short-term debt	43,647	39,791	—
Borrowings under long-term debt arrangements	241,019	19,919	19,975
Payments on long-term debt	(42,249)	(14,770)	(18,471)
Proceeds from public offering of common stock	—	—	231,149
Proceeds from the sale of common stock under stock programs	20,481	13,211	20,116
Other	1,254	205	(593)
Net cash provided by financing activities	264,152	58,356	252,176
Net increase (decrease) in cash and cash equivalents	205,623	(101,946)	85,049
Cash and cash equivalents at beginning of period	52,942	154,888	69,839
Cash and cash equivalents at end of period	$258,565	$ 52,942	$154,888
Supplemental Cash Flow Information:			
Interest paid	$ 12,691	$ 1,114	$ 7,459
Income taxes paid	$ 64,289	$ 11,930	$ 4,359

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Policies (In Part)

Cash and Cash Equivalents

Cash equivalents are primarily short-term, interest bearing, high credit quality investments with major financial institutions and are subject to minimal risk. These investments have maturities at the date of purchase of three months or less.

L.B. FOSTER COMPANY

Consolidated Statements Of Cash Flows

(In thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$4,824	$5,440	$1,569
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Deferred income taxes	(565)	(1,228)	(427)
Depreciation and amortization	2,774	2,932	2,763
Gain on sale of property, plant and equipment	(532)	(635)	(558)
Cumulative effect of change in accounting principle	219		(670)
Change in operating assets and liabilities:			
Accounts receivable	(1,856)	(10,560)	74
Inventory	2,878	(4,240)	646
Other current assets	(165)	49	(251)
Other noncurrent assets	(171)	309	483
Accounts payable - trade	(1,710)	2,526	1,100
Accrued payroll and employee benefits	158	354	440
Other current liabilities	(174)	(238)	(1,227)
Other liabilities	(245)	(384)	(19)
Net cash provided (used) by operating activities	5,435	(5,675)	3,923
Cash Flows from Investing Activities:			
Proceeds from sale of property, plant and equipment	3,880	2,107	2,428
Acquisition of business			(4,784)
Capital expenditures on property, plant and equipment	(4,074)	(2,800)	(1,610)
Net Cash Used by Investing Activities	(194)	(693)	(3,966)
Cash Flows from Financing Activities:			
(Repayments) proceeds of revolving credit agreement borrowings	(4,170)	7,420	45
Exercise of stock options	30		
Repayments of long-term debt	(956)	(1,085)	(1,130)
Net cash provided (used) by financing activities	(5,096)	6,335	(1,085)
Net increase (decrease) in cash and cash equivalents	145	(33)	(1,128)
Cash and cash equivalents at beginning of year	1,180	1,213	2,341
Cash and cash equivalents at end of year	$1,325	$1,180	$1,213
Supplemental Disclosures of Cash Flow Information:			
Interest paid	$2,906	$1,933	$2,481
Income taxes paid	$ 188	$ 78	$ 70

During 1995, 1994 and 1993, the Company financed certain capital expenditures and related maintenance agreements totaling $4,081,000, $415,000 and $819,000, respectively, through the issuance of capital leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 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.

Interest and Income Tax Payments

CHESAPEAKE CORPORATION

Consolidated Statement Of Cash Flows

(In millions)	For the Years Ended December 31 1995	1994	1993
Operating activities:			
Net income	$ 93.4	$ 37.6	$ 10.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, cost of timber harvested and amortization of intangibles	75.8	73.3	72.4
Deferred income taxes	11.6	(.1)	2.4
Gains on sale of property, plant and equipment	(5.6)	(1.4)	(9.4)
(Gains) losses on sale of business	(1.8)	—	1.3
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable	(22.6)	(34.2)	.9
Inventories	(29.0)	(5.4)	25.5
Other assets	8.4	.3	(3.0)
Accounts payable and accrued expenses	9.9	25.2	10.5
Income taxes payable	(2.3)	2.3	1.7
Other payables	3.2	2.8	.9
Net cash provided by operating activities	141.0	100.4	113.6
Investing activities:			
Purchases of property, plant and equipment	(157.7)	(54.3)	(63.9)
Acquisitions (net of notes payable of $16.0 in 1994)	(69.7)	(16.7)	—
Proceeds from sales of property, plant and equipment	7.4	3.3	15.9
Proceeds from sale of business	28.9	—	—
Other	6.7	5.0	(.3)
Net cash used in investing activities	(184.4)	(62.7)	(48.3)
Financing activities:			
Proceeds from long-term debt	1.2	49.4	82.1
Payments on long-term debt	(71.7)	(35.4)	(80.3)
Net borrowings (payments) on credit lines	100.0	(3.1)	(54.3)
Proceeds from issuances of common stock	5.8	5.7	3.7
Purchases of outstanding common stock	(5.6)	—	—
Dividends paid	(18.1)	(17.1)	(16.8)
Other	—	(.9)	.3
Net cash provided by (used in) financing activities	11.6	(1.4)	(65.3)
Increase (decrease) in cash and cash equivalents	(31.8)	36.3	.0
Cash and cash equivalents at beginning of year	37.0	.7	.7
Cash and cash equivalents at end of year	$ 5.2	$ 37.0	$ .7
Supplemental Cash Flow Information:			
Interest payments	$ 32.8	$ 30.5	$ 32.7
Income tax payments, net of refunds	$ 36.4	$ 18.6	$ 3.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

b. Cash and Cash Equivalents: Cash and cash equivalents include highly liquid, temporary cash investments with original maturities of three months or less.

STEEL TECHNOLOGIES, INC.

Consolidated Statements Of Cash Flows

	For the Years Ended September 30,		
(Dollars in thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$ 7,423	$10,512	$ 9,946
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,108	4,994	4,397
Provision for losses on trade accounts receivable	20	133	230
Deferred income taxes	2,002	788	98
Equity in net income of unconsolidated corporate joint venture	(1,414)	(1,437)	(934)
Gain on sale of assets	(293)	(415)	(337)
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable	3,016	(6,790)	(6,302)
Inventories	36,652	(27,846)	(22,993)
Prepaid expenses and other assets	(1,284)	86	(513)
Accounts payable	(19,836)	16,245	10,252
Accrued liabilities	(178)	(1,276)	1,163
Net cash provided by (used in) operating activities	33,216	(5,006)	(4,993)
Cash Flows from Investing Activities:			
Purchases of property, plant and equipment	(37,914)	(24,480)	(11,469)
Other assets	—	(817)	—
Proceeds from sale of property, plant and equipment	582	790	1,556
Net cash used in investing activities	(37,332)	(24,507)	(9,913)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	71,005	32,204	16,767
Principal payments on long-term debt	(63,590)	(985)	(2,546)
Cash dividends on common stock	(973)	(850)	(643)
Repurchase of common stock	(418)	—	—
Net issuance of common stock under incentive stock option plan	7	12	871
Net cash provided by financing activities	6,031	30,381	14,449
Effect of exchange rate changes on cash	(225)	—	—
Net increase (decrease) in cash and cash equivalents	1,690	868	(457)
Cash and cash equivalents, beginning of year	1,008	140	597
Cash and cash equivalents, end of year	$ 2,698	$ 1,008	$ 140
Supplemental Cash Flow Disclosures:			
Cash payments for interest	$ 5,038	$ 1,891	$ 1,005
Cash payments for income taxes	$ 2,471	$ 5,895	$ 5,790

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents: Cash and cash equivalents includes highly liquid investments with an original maturity of three months or less.

TYSON FOODS, INC.

Consolidated Statements Of Cash Flows

	Three Years Ended September 30, 1995		
(In millions)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income (loss)	$219.2	$ (2.1)	$ 180.3
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	179.0	158.6	145.8
Amortization	25.9	29.7	30.8
Write-down of excess of investments over net assets acquired and certain long-lived assets		213.9	
Deferred income taxes	10.9	(2.4)	5.4
Minority interest	(6.6)		
Foreign currency exchange loss	15.6		
Loss on dispositions of property and equipment	3.6	2.8	0.7
(Increase) decrease in accounts receivable	(29.6)	(307.4)	35.3
Increase in inventories	(140.5)	(34.0)	(66.9)
Increase (decrease) in trade accounts payable	12.8	35.6	(41.0)
Net change in other current assets and liabilities	1.0	(44.5)	18.0
Cash provided by operating activities	291.3	50.2	308.4
Cash Flows from Investing Activities:			
Net cash paid for acquisitions	(350.1)	(82.9)	(43.4)
Additions to property, plant and equipment	(347.2)	(232.1)	(225.3)
Proceeds from sale of property, plant and equipment	20.1	8.5	7.4
Net change in other assets and liabilities	(53.8)	(3.7)	(41.4)
Cash used for investing activities	(731.0)	(310.2)	(302.7)
Cash Flows from Financing Activities:			
Net increase (decrease) in notes payable	45.9	3.5	(29.2)
Proceeds from long-term debt	628.1	412.3	977.4
Repayments of long-term debt	(189.5)	(81.1)	(954.5)
Purchase of treasury shares	(32.0)	(66.9)	(4.2)
Other	(1.1)	(2.3)	(0.8)
Cash provided by (used for) financing activities	451.4	265.5	(11.3)
Effect of exchange rate change on cash	(5.6)		
Increase (decrease) in cash	6.1	5.5	(5.6)
Cash and cash equivalents at beginning of year	27.0	21.5	27.1
Cash and cash equivalents at end of year	$ 33.1	$ 27.0	$ 21.5

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 $129.9 million at September 30, 1995 and $117.6 million at October 1, 1994, 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 millions)	1995	1994	1993
Supplemental Cash Flow Information			
Cash paid during the period for:			
Interest	$115.0	$ 89.9	$ 72.3
Income Taxes	$124.4	$ 123.2	$ 117.6
Supplemental Noncash Investing and Financing Activities			
Capital asset and lease obligation additions	$ 40.0		
Acquisitions:			
Fair value of assets acquired		$ 124.0	
Liabilities assumed		(109.2)	
Fair value of assets exchanged	$ 18.6	$ (14.8)	
Stock issued			$(205.2)

Discontinued Operations

GTI CORPORATION

Consolidated Statements Of Cash Flows

	Year Ended December 31,		
(dollars in thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$ 1,946	$ 5,261	$13,200
Adjustments to reconcile net income to net cash provided (used) by continuing operations:			
Income from discontinued operations	(856)	(1,962)	(2,310)
Loss on disposal of discontinued operations	2,000	—	—
Depreciation and amortization	6,216	3,124	2,529
Minority interest in earnings (losses) of subsidiary	(476)	136	823
Loss on disposal of equipment	188	—	—
Deferred income taxes	7	291	501
Changes in assets and liabilities:			
Receivables	(1,803)	(8,520)	(1,614)
Inventories	(9,494)	(8,904)	(1,466)
Other assets	(2,665)	(163)	(512)
Accounts payable and accrued liabilities	2,736	6,085	67
Other non-current liabilities	567	883	(493)
Net cash provided (used) by continuing operations	(1,570)	(3,769)	10,725
Net cash provided by discontinued operations	823	4,447	3,091
Net cash provided (used) by operating activities	(747)	678	13,816
Cash Flows from Investing Activities:			
Purchases of plant and equipment	(5,943)	(7,687)	(5,146)
Capital expenditures of discontinued operations	(544)	(971)	(848)
Purchase of Promptus, net of cash acquired	(19,089)	—	—
Purchase of Valor minority shares	—	—	(10,550)
Proceeds from disposal of discontinued operation	11,750	—	—
Net cash used by investing activities	(13,826)	(8,658)	(16,544)
Cash Flows from Financing Activities:			
Short-term borrowings, net	2,579	1,655	—
Repayment of short-term borrowings and debt	—	—	(3,977)
Issuance of Common Stock	10,575	300	10,888
Preferred Stock dividend paid	(284)	(284)	(284)
Net cash provided by financing activities	12,870	1,671	6,627
Effect of exchange rate changes on cash	30	498	(270)
Net increase (decrease) in cash and cash equivalents	(1,673)	(5,811)	3,629
Cash and cash equivalents at beginning of period	4,226	10,037	6,408
Cash and cash equivalents at end of period	$ 2,553	$ 4,226	$10,037

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

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

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments purchased with a maturity date of three months or less. Cash equivalents are stated at cost, which approximates market value.

Note 4 (In Part): Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 1995, 1994, and 1993, are summarized as follows:

For the Year Ended December 31,	1995	1994	1993
Interest paid	$ 1,207	$ 342	$ 229
Income taxes paid	$ 1,559	$1,727	$3,308
Business acquisition, net of cash acquired			
Working capital, other than cash acquired	$ (644)	$ —	$ —
Plant and equipment	(1,314)	—	—
Purchase price in excess of the net assets acquired	(17,230)	—	—
Other assets	(1,183)	—	—
Noncurrent liabilities	1,282	—	—
Net cash used to acquire Promptus	$19,089	$ —	$ —

QUAKER STATE CORPORATION

Consolidated Statement Of Cash Flows

	Years Ended December 31		
(in thousands)	1995	1994	1993
Cash Flows from Operating Activities			
Net income	$12,100	$18,766	$13,702
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	38,330	32,259	28,758
Unusual item - noncurrent	7,864	—	—
Gain on disposition of discontinued operations (Note 5)	(12,695)	(377)	—
Extraordinary loss on extinguishment of debt	4,139	—	—
Deferred income taxes and investment tax credit	(17,937)	2,669	3,380
Changes in discontinued operations	1,359	2,663	11,472
Increase (decrease) from changes in:			
Receivables	(22,078)	(1,154)	3,703
Inventories	(1,120)	(3,719)	12,035
Other current assets	(7,548)	5,018	2,335
Accounts payable	(7,039)	(7,920)	2,745
Accrued liabilities	4,999	(11,509)	(24,970)
Other	4,554	866	(5,925)
Net cash provided by operating activities	4,928	37,562	47,235
Cash Flows from Investing Activities			
Capital expenditures	(45,130)	(36,444)	(29,760)
Proceeds from disposal of property and equipment	4,910	4,556	1,741
Proceeds from sale of discontinued operations, net of discontinued operations cash and current taxes (Note 5)	47,213	78,529	6,261
Discontinued insurance operations:			
Proceeds from sale of bonds and securities	—	47,781	105,052
Purchase of bonds and securities	—	(60,513)	(112,206)
Acquisition of businesses, net of cash acquired	(31,008)	(28,366)	—
Other, net	(5,685)	—	—
Net cash provided by (used in) investing activities	(29,700)	5,543	(28,912)
Cash Flows from Financing Activities			
Dividends paid	(12,867)	(11,358)	(16,310)
Proceeds from debt	99,375	418	223
Payments on debt	(60,882)	(17,988)	(27,956)
Net cash provided by (used in) financing activities	25,626	(28,928)	(44,043)
Net increase (decrease) in cash and cash equivalents	854	14,177	(25,720)
Cash and cash equivalents at beginning of year:			
Other than insurance	29,805	6,220	34,146
Discontinued insurance operations	—	9,408	7,202
Total cash and cash equivalents at beginning of year	29,805	15,628	41,348
Cash and cash equivalents at end of year:			
Other than insurance	30,659	29,805	6,220
Discontinued insurance operations	—	—	9,408
Total cash and cash equivalents at end of year	$30,659	$29,805	$15,628

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

b. Cash equivalents: The company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

14. Supplemental Cash Flow Information:

(In thousands)	1995	1994	1993
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 6,911	$ 5,101	$5,717
Income taxes	30,562	9.174	9.714
Noncash investing and financing activities:			
Capital stock issued for acquisition	$ 19,536	$ 57,750	—
Capital stock issued under incentive plan	1,055	3,109	—
Details of acquisition:			
Fair value of assets acquired	$ 79,486	$171,219	—
Liabilities assumed	(26,289)	(82,748)	—
Stock issued	(19,536)	(57,750)	—
Cash paid	33,661	30,721	—
Less cash acquired	(2,653)	(2,355)	—
Net cash paid for acquisition	$ 31,008	$ 28,366	—

Extraordinary Items

OAK INDUSTRIES, INC.

Consolidated Statement Of Cash Flows

Dollars in thousands	For the Years Ended December 31,		
Increase (decrease) in cash and cash equivalents from:	1995	1994	1993
Operating activities:			
Net income (loss)	$ (52,124)	$ 42,446	$ 26,660
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Purchased in-process research and development	80,872	—	—
Extraordinary charge for early extinguishment of debt	1,610	—	—
Depreciation and amortization	11,665	10,618	10,328
Change in minority interest	10,858	11,690	7,443
Undistributed earnings of affiliated companies	(723)	(1,464)	(1,356)
Change in assets and liabilities, net of effects from acquisition of businesses:			
Receivables	(4,689)	(2,347)	(901)
Inventories	(6,964)	(2,392)	1,681
Accounts payable and accrued liabilities	(5,877)	7,061	(1,464)
Deferred compensation and pensions	(90)	134	(1,984)
Deferred income taxes	6,292	(14,979)	(6,734)
Other	(1,499)	(3,389)	(2,120)
Net cash provided by operations	39,331	47,378	31,553
Investing Activities:			
Capital expenditures	(17,354)	(6,807)	(7,018)
Acquisition of businesses, net of cash acquired	(100,019)	(8,309)	(1,594)
Advances to affiliated companies	(300)	(308)	(251)
Disposition of business	—	2,092	—
Repayments from (loans to) employees	497	261	(1,360)
Other	(116)	110	265
Net cash used in investing activities	(117,292)	(12,961)	(9,958)
Financing Activities:			
Long-term borrowings	114,000	—	—
Repayment of borrowings	(30,020)	(17,460)	(22,655)
Early retirement of debt	(28,610)	(4,200)	—
Reduction in cash restricted for letter of credit	—	—	6,000
Exercise of options and warrants	3,188	1,155	3,837
Acquisitions of warrants	—	(3,061)	—
Deferred debt issuance costs	(1,805)	—	—
Other	(404)	(442)	160
Net cash provided by (used in) financing activities	56,349	(24,008)	(12,658)
Effect of exchange rate changes on cash	906	(128)	(507)
Net change during year	(20,706)	10,281	8,430
Balance, beginning of year	37,648	27,367	18,937
Balance, end of year	$ 16,942	$ 37,648	$ 27,367

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Accounting Policies

Cash Equivalents

The Company's cash equivalents represent funds invested in a variety of liquid short-term instruments with original maturities of less than three months. The carrying amount of these instruments approximates fair value.

Cumulative Effect of Accounting Change

MELVILLE CORPORATION

Consolidated Statements Of Cash Flows

	Years Ended December 31		
(in thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net (loss) earnings	$(657,106)	$ 307,470	$ 331,790
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Restructuring and asset impairment charges	982,447	—	—
Cumulative effect of change in accounting principle	74,489	—	—
Depreciation and amortization	228,352	206,266	191,588
Minority interests in net earnings	38,351	51,895	47,296
Deferred income taxes and other noncash items	(204,841)	1,993	15,595
Change in assets and liabilities, excluding acquisitions and dispositions:			
(Increase) decrease in accounts receivable, net	(29,996)	(15,013)	33,484
Increase in inventories	(214,343)	(266,069)	(86,344)
Increase in prepaid expenses, deferred charges and other assets	(21,454)	(14,123)	(14,392)
Increase (decrease) in accounts payable and accrued expenses	225,462	125,849	(125,150)
(Decrease) increase in Federal income taxes payable and other liabilities	(75,899)	100,093	42,016
Net cash provided by operating activities	345,462	498,361	435,883
Cash Flows from Investing Activities:			
Additions to property and equipment	(394,951)	(421,375)	(386,724)
Proceeds from the sale or disposal of property and equipment and operations or assets sold	423,598	86,899	97,940
Acquisition, net of cash	(4,809)	(36,556)	(41,534)
Net cash provided by (used in) investing activities	23,838	(371,032)	(330,318)
Cash Flows from Financing Activities:			
Dividends paid or payable	(239,985)	(225,500)	(245,635)
(Reductions of) additions to notes payable	(148,000)	110,000	90,000
Increase (decrease) in book overdrafts	65,775	26,931	(6,701)
Repurchase of common stock	(26,310)	—	—
Reductions of long-term debt and obligations under capital leases	(10,518)	(4,423)	(13,190)
Other	2,286	1,727	5,794
Net cash used in financing activities	(356,752)	(91,265)	(169,732)
Net increase (decrease) in cash and cash equivalents	12,548	36,064	(64,167)
Cash and cash equivalents at beginning of year	117,035	80,971	145,138
Cash and cash equivalents at end of year	$ 129,583	$117,035	$ 80,971

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents: Cash equivalents consist of highly liquid instruments with maturities of three months or less and are stated at cost which approximates market. The Company's cash management program utilized zero balance accounts. Accordingly, all book overdraft balances have been reclassified to current liabilities.

Supplemental Cash Flow Information

During the years ended December 31, the Company had the following non-cash financing and investing activities:

($ in thousands)	1995	1994	1993
Fair value of assets acquired	$ 4,809	$41,832	$61,144
Cash paid	4,809	36,578	38,814
Liabilities assumed	$ —	$ 5,254	$22,230
Stock or note received for operations sold	$175,000	$ —	$29,413
Book value of common stock issued in pooling of interests	—	—	18,976

Cash payments for income taxes and interest for the years ended December 31 were as follows:

($ in thousands)	1995	1994	1993
Income taxes	$162,888	$140,789	$157,240
Interest (net of amounts capitalized)	55,500	34,113	25,747

Sale of Receivables

PHILLIPS PETROLEUM COMPANY

Consolidated Statement Of Cash Flows

	Years Ended December 31		
Millions of Dollars	1995	1994	1993
Cash Flows from Operating Activities			
Net income	$ 469	484	243
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	871	794	841
Dry hole costs and leasehold impairment	66	95	122
Deferred taxes	9	(51)	(48)
Extraordinary item	—	—	2
Sale of accounts receivable	200	—	—
Other changes in accounts and notes receivable	(245)	(82)	(20)
Decrease (increase) in inventories	25	(10)	80
Decrease (increase) in prepaid expenses and other current assets	12	22	(11)
Increase in accounts payable	130	15	28
Increase (decrease) in taxes and other accruals	136	(26)	(34)
Other	(77)	(38)	105
Net cash provided by operating activities	1,596	1,203	1,308
Cash Flows from Investing Activities			
Capital expenditures and investments, including dry hole costs	(1,456)	(1,154)	(1,226)
Proceeds from asset dispositions	142	266	821
Long-term advances to affiliates and other investments	(39)	(20)	—
Net cash used for investing activities	(1,353)	(908)	(405)
Cash Flows from Financing Activities			
Issuance of debt	610	1,335	2,613
Repayment of debt	(619)	(1,447)	(3,209)
Issuance of company stock	9	12	19
Purchase of company stock	—	(1)	(4)
Dividends paid	(313)	(293)	(292)
Other	(56)	173	(42)
Net cash used for financing activities	(369)	(221)	(915)
Increase (decrease) in cash and cash equivalents	(126)	74	(12)
Cash and cash equivalents at beginning of year	193	119	131
Cash and cash equivalents at end of year	$ 67	193	119

ACCOUNTING POLICIES

Cash Equivalents—Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash and generally have original maturities within three months from their date of purchase.

NOTES TO FINANCIAL STATEMENTS

Note 14—Cash Flow Information

	Million of Dollars		
	1995	1994	1993
Non-Cash Investing and Financing Activities			
Treasury stock awards issued (canceled) under incentive compensation plans......	$ 2	(15)	7
Capitalized process license fee payable in installments from 1993 to 1999.........	—	—	16
Contribution of non-cash net assets to equity-method affiliates..................	55	109	27
Common stock issued to establish CBT	989	—	—
Cash Payments			
Interest			
Debt..	$224	235	224
Taxes and other..	19	48	45
	$243	283	269
Income taxes	$576	451	487

Repurchase of Receivables

GEORGIA-PACIFIC CORPORATION

Statements Of Cash Flows

	Year Ended December 31		
(Millions)	1995	1994	1993
Cash provided by (used for) operations			
Net income (loss)	$1,018	$ 310	$ (34)
Adjustments to reconcile net income (loss) to cash provided by operations:			
Depreciation	707	695	711
Depletion	55	51	53
Deferred income tax benefit	(33)	(33)	(104)
Amortization of goodwill	59	59	59
Stock compensation programs	20	(4)	53
Gain on sale of assets	(18)	(14)	(32)
Amortization of debt issue costs, discounts and premiums	4	10	7
Other (income) loss	—	(57)	26
Cumulative effect of accounting change, net of taxes	—	5	—
(Decrease) in accounts receivable sale program	(350)	—	(100)
(Increase) in receivables	(47)	(203)	(74)
(Increase) in inventories	(237)	(44)	(93)
Change in other working capital	32	40	40
Increase (decrease) in taxes payable	26	(12)	(158)
Change in other assets and other long-term liabilities	74	39	42
Cash provided by operations	1,310	842	396
Cash provided by (used for) investing activities			
Capital expenditures			
Property, plant and equipment	(1,259)	(850)	(421)
Timber and timberlands	(80)	(44)	(46)
Total capital expenditures	(1,339)	(894)	(467)
Increase in cash restricted for capital expenditures	(90)	(13)	(7)
Proceeds from sale of assets	59	249	260
Other	1	(4)	5
Cash (used for) investing activities	(1,369)	(662)	(209)
Cash provided by (used for) financing activities			
Common stock repurchased	(47)	—	—
Proceeds from option plan exercises	27	—	—
Repayments of long-term debt	(228)	(333)	(576)
Additions to long-term debt	1,004	53	511
Fees paid to issue debt	(8)	—	(5)
Increase (decrease) in bank overdrafts	(11)	39	52
Increase (decrease) in commercial paper and other short-term notes	(547)	218	(41)
Cash dividends paid	(173)	(145)	(142)
Cash provided by (used for) financing activities	17	(168)	(201)
Increase (decrease) in cash	(42)	12	(14)
Balance at beginning of year	53	41	55
Balance at end of year	$ 11	$ 53	$ 41

NOTES TO FINANCIAL STATEMENTS

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

The Corporation capitalizes interest on projects when construction takes considerable time and entails major expenditures. Such interest is charged to the property, plant and equipment accounts and amortized over the approximate life of the related assets. Interest capitalized, expensed and paid were as follows:

	Year Ended December 31		
(Millions)	1995	1994	1993
Total interest costs	$434	$460	$516
Interest capitalized	(39)	(7)	(3)
Interest expense	$395	$453	$513
Interest paid	$433	$481	$529

Note 4 (In Part): Receivables

The Corporation has sold fractional ownership interests in a defined pool of trade accounts receivable for $350 million as of December 31, 1995 and $700 million as of December 31, 1994. 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 $37 million in 1995, $33 million in 1994 and $29 million in 1993, 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. During 1995, the Corporation repurchased $350 million of receivables, reducing the accounts receivable sale program from $700 million to $350 million. The program has been extended to May 21, 1996.

Note 7 (In Part): Income Taxes

The provision for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The provision for income taxes consists of the following:

	Year Ended December 31		
(Millions)	1995	1994	1993
Federal income taxes:			
Current	$600	$229	$128
Deferred	(26)	(19)	(89)
State income taxes:			
Current	112	50	17
Deferred	(7)	(14)	(15)
Provision for income taxes	$679	$246	$41
Income taxes paid, net of refunds	$686	$251	$300

Income taxes paid during 1995 and 1994 included tax and interest payments of $12 million and $84 million, respectively, to the Internal Revenue Service to settle substantially all pending income tax issues for years prior to 1991.

Zero Coupon Bond Appreciation

HALLIBURTON COMPANY

Consolidated Statements Of Cash Flows

Millions of dollars	Years Ended December 31 1995	1994	1993
Cash Flows from Operating Activities			
Net income (loss)	$168.3	$177.8	$(161.0)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Deprecation and amortization	244.1	260.2	450.4
Provision (benefit) for deferred income taxes	47.9	86.0	(17.5)
Distributions from (advances to) related companies, net of equity in (earnings) or losses	(20.5)	(0.6)	4.7
Appreciation of zero coupon bonds	15.0	21.6	20.3
Gains on sale of compression services	—	(102.0)	—
(Income) loss from discontinued operations	65.5	(5.5)	20.5
Other non-cash items	(11.5)	(19.2)	15.1
Other changes, net of non-cash items:			
Receivables	(83.8)	100.7	(55.6)
Inventories	17.7	92.0	1.9
Accounts payable	69.9	(54.4)	(109.1)
Other working capital, net	189.2	(78.0)	(169.1)
Other, net	(69.8)	(63.2)	269.0
Total cash flows from operating activities	632.0	415.4	269.6
Cash Flows from Investing Activities			
Capital expenditures	(288.7)	(233.7)	(245.3)
Sales of property, plant and equipment	36.0	65.4	29.7
Acquisitions of businesses, net of cash acquired	(1.4)	(10.7)	(27.9)
Dispositions of businesses, net of cash disposed	25.9	400.2	1.2
Other investing activities	(10.1)	(10.3)	(81.1)
Total cash flows from investing activities	(238.3)	210.9	(323.4)
Cash Flows from Financing Activities			
Net payments of long-term borrowings	(452.9)	(72.9)	(57.0)
Net borrowings (payments) of short-term debt	(27.0)	(65.3)	91.3
Payments of dividends to shareholders	(114.3)	(114.0)	(112.2)
Other financing activities	2.9	(0.5)	(3.1)
Total cash flows from financing activities	(591.3)	(252.7)	(81.0)
Effect of exchange rate changes on cash	(2.8)	(5.8)	(4.1)
Increase (decrease) in cash and equivalents	(200.4)	367.8	(138.9)
Cash and equivalents at beginning of year	375.3	7.5	146.4
Cash and equivalents at end of year	$ 174.9	$375.3	$ 7.5
Supplemental disclosure of cash flow information			
Cash payments (refunds) during the period for:			
Interest	$ 25.3	$ 29.1	$ 31.2
Income taxes	28.0	(18.5)	56.7
Non-cash investing and financing activities:			
Liabilities assumed in acquisitions of businesses	$ —	$ —	$ 20.8
Liabilities disposed of in dispositions of businesses	14.6	69.9	3.8

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Cash Equivalents. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash Value Increase

SPAN-AMERICA MEDICAL SYSTEMS, INC.

Consolidated Statements Of Cash Flows

	Years Ended		
	Sept 30, 1995	Oct 1, 1994	Oct 2, 1993
Operating activities			
Net income	$ 978,083	$1,640,182	$1,095,465
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	905,688	918,157	854,247
Amortization	217,419	209,229	189,553
Provision for losses on accounts receivable	24,000	138,000	51,000
Provision for deferred income taxes	(89,000)	(19,000)	(405,000)
Losses on sale and disposal of property, plant and equipment	28,807	3,969	1,336
Loss on abandonment of leasehold improvements		7,030	
Gain on sale of other assets	(3,640)		
Increase in cash value of life insurance	(235,740)	(107,304)	(65,658)
Deferred compensation	75,024	(100,909)	990,542
Changes in operating assets and liabilities:			
Accounts receivable	(587,571)	(156,819)	(141,684)
Inventory	(77,920)	(252,029)	40,385
Prepaid expenses and other assets	90,366	(118,356)	2,039
Accounts payable and accrued expenses	225,932	(147,097)	76,710
Net cash provided by operating activities	1,551,448	2,015,053	2,688,935
Investing activities			
Purchases of securities	(1,408,432)	(1,000,000)	(1,475,205)
Proceeds from sales of securities	513,707	1,000,000	900,000
Purchases of property, plant and equipment	(203,912)	(539,716)	(726,823)
Proceeds from sale of property, plant and equipment	63,200	48,400	
Payments for other assets	(55,779)	(55,793)	(36,891)
Proceeds from sale of other assets	3,750		
Net cash used for investing activities	(1,087,466)	(547,109)	(1,338,919)
Financing activities			
Scheduled principal payments on long-term debt		(161,657)	(362,917)
Payments on insurance policy loans		(73,956)	(30,600)
Dividends paid	(324,592)	(335,401)	(348,342)
Common Stock issued upon exercise of options			16,000
Purchase and retirement of Common Stock	(454,536)	(1,566,300)	
Net cash used for financing activities	(779,128)	(2,137,314)	(725,859)
(Decrease) increase in cash and cash equivalents	(315,146)	(669,370)	624,157
Cash and cash equivalents at beginning of year	1,557,542	2,226,912	1,602,755
Cash and cash equivalents at end of year	$1,242,396	$1,557,542	$2,226,912

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents
The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains a centralized cash management program whereby its excess cash balances are invested in bank commercial paper and are considered cash equivalents (approximately $942,000 at September 30, 1995). At times, cash balances in the Company's accounts may exceed federally insured limits.

8 (In Part): Long-Term Debt

During the 1995, 1994, and 1993 fiscal years, the Company paid interest costs of $17,313, $24,126, and $58,813, respectively.

11 (In Part): Income Taxes

The Company made income tax payments, net of refunds, of $657,000, $985,000 and $836,000, in the 1995, 1994, and 1993 fiscal years, respectively.

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

CUMMINS ENGINE COMPANY, INC. (DEC)

Consolidated Statement Of Cash Flows

(Millions)	1995	1994	1993
Cash flows from operating activities:			
Net earnings	$ 224	$ 253	$ 177
Adjustments to reconcile net earnings to net cash from operating activities:			
Restructuring charges	114	—	—
Depreciation and amortization	143	128	125
Early extinguishment of debt	—	—	6
Accounts receivable	(91)	(37)	(59)
Inventories	3	(46)	1
Accounts payable and accrued expenses	99	69	8
Deferred income taxes	(100)	(7)	(2)
Other	14	16	30
Total adjustments	182	123	109
Net cash provided by operating activities	406	376	286
Cash flows from investing activities:			
Property, plant and equipment:			
Additions	(223)	(238)	(174)
Disposals	6	5	12
Investments in and advances to unconsolidated companies	(155)	(8)	10
Acquisition of new businesses, net of cash acquired	(1)	(20)	3
Net cash used for investing activities	(373)	(261)	(149)
Cash flows from financing activities:			
Proceeds from borrowings	2	—	57
Payments on borrowings	(37)	(34)	(248)
Net borrowings under credit agreements	19	17	(26)
Net proceeds from common stock issuances	—	—	125
Repurchase of common stock	(69)	(5)	—
Dividend payments	(40)	(26)	(15)
Other	4	(2)	(7)
Net cash used for financing activities	(121)	(50)	(114)
Effect of exchange rate changes on cash	1	5	—
Net change in cash and cash equivalents	(87)	70	23
Cash and cash equivalents at beginning of year	147	77	54
Cash and cash equivalents at end of year	$ 60	$ 147	$ 77
Cash payments during the year for:			
Interest	$ 13	$ 19	$ 40
Income taxes	59	43	18

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents: Cash equivalents are investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Investments

ANALOGIC CORPORATION

Consolidated Statements Of Cash Flows

	Years Ended July 31,		
(000s omitted)	1995	1994	1993
Cash flows from operating activities:			
Net income	$12,706	$14,657	$12,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	255	920	(53)
Depreciation	6,365	6,598	7,725
Amortization of capitalized software	2,355	1,602	1,218
Amortization of excess of cost over net acquired assets	317	387	361
Amortization of excess of acquired net assets over cost	(533)	(577)	(266)
Amortization of other assets (deferred charges)	39	3	48
Minority interest in net income of consolidated subsidiaries	518	1,915	562
Provision for losses on accounts receivable	21	(179)	120
Gain on sale of marketable securities	(1,736)		
Loss (gain) on sale of equipment	(34)	(30)	140
Excess of equity in losses (income) of unconsolidated affiliates over dividend received		(1,105)	200
Compensation from stock grants	731	656	388
Changes in operating assets and liabilities			
Decrease (increase) in assets:			
Accounts and notes receivable	(8,561)	(3,543)	6,733
Inventories	(5,118)	(1,229)	1,876
Prepaid expenses and other current assets	(305)	75	886
Other assets	(17)	74	(138)
Increase (decrease) in liabilities:			
Accounts payable, trade	4,899	(928)	(232)
Accrued expenses and other current liabilities	816	801	(5,723)
Accrued income taxes	501	(762)	1,205
Total adjustments	513	4,678	15,050
Net cash provided by operating activities	13,219	19,335	27,495
Cash flows from investing activities:			
Investments in and advances to affiliated companies	(143)	(1,583)	(2,239)
Additions to property, plant and equipment	(8,217)	(7,326)	(4,425)
Capitalized software	(3,524)	(3,305)	(2,127)
Proceeds from sale of property, plant and equipment	55	114	64
Purchases of marketable securities	(24,062)	(12,600)	(70,350)
Maturities of marketable securities	10,475	9,115	63,625
Acquisition of businesses, net of cash acquired			3,239
Proceeds from sale of marketable securities	2,300		
Net cash used by investing activities	(23,116)	(15,585)	(12,213)
Cash flows from financing activities:			
Payments on debt and capital lease obligations	(2,332)	(631)	(6,946)
Purchase of common stock for treasury	(326)	(1,543)	(1,363)
Purchase of common stock of majority owned subsidiary	(582)	(201)	(513)
Issuance of common stock pursuant to stock options and employee stock purchase plan	672	542	2,191
Dividends paid shareholders	(990)		
Net cash used by financing activities	(3,558)	(1,833)	(6,631)
Effect of exchange rate changes on cash	2,288	1,172	
Net increase (decrease) in cash and cash equivalents	(11,167)	3,089	8,651
Cash and cash equivalents, beginning of year	23,571	20,482	11,831
Cash and cash equivalents, end of year	$12,404	$23,571	$20,482

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

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 $9,004,000 and $21,135,000 at July 31, 1995 and 1994, respectively.

13. Supplemental Disclosure of Cash Flow Information

During fiscal years 1995, 1994 and 1993, interest paid amounted to $1,371,000, $1,039,000 and $1,092,000, respectively.

Income taxes paid during fiscal years 1995, 1994 and 1993 amounted to $2,802,000, $3,763,000 and $4,262,000, respectively.

FLEETWOOD ENTERPRISES, INC.

Consolidated Statements Of Cash Flows

	Years ended April		
(Amounts in thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$ 84,633	$ 65,928	$ 56,570
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	22,315	18,598	15,628
Amortization of intangibles and goodwill	1,824	1,817	1,711
Provision for credit losses	6,001	3,644	3,791
Losses (gains) on sales of property, plant and equipment	700	(326)	575
Changes in assets and liabilities:			
(Increase) decrease in manufacturing receivables	5,844	(21,929)	(30,065)
Increase in inventories	(31,639)	(28,914)	(42,443)
Increase in deferred tax benefits	(7,153)	(6,320)	(9,327)
Increase in other assets	(8,840)	(8,973)	(15,374)
Increase in accounts payable	15,860	26,076	13,018
Increase in other liabilities	18,125	31,208	34,511
Foreign currency translation adjustment	1,794	(1,473)	(1,411)
Net cash provided by operating activities	109,464	79,336	27,184
Cash Flows from Investing Activities:			
Acquisition of finance receivables	(1,189,859)	(1,028,016)	(876,944)
Principal collected on finance receivables	885,039	781,921	685,222
Proceeds from sales of retail sales contracts, net	300,000	193,020	120,059
Purchase of investment securities:			
Held-to-maturity	(6,032,016)	(6,797,916)	(5,692,373)
Available-for-sale	(1,011,343)	(270,492)	(443,741)
Proceeds from maturity of investment securities:			
Held-to-maturity	6,000,803	6,783,016	5,681,087
Available-for-sale	875,191	120,304	197,804
Proceeds from sale of available-for-sale investment securities	131,242	167,517	302,963
Purchase of property, plant and equipment	(68,040)	(72,816)	(42,062)
Proceeds from sales of property, plant and equipment	2,705	6,151	3,856
Investment in land held for future development	(68)	(66)	(100)
Pooling of interests	—	2,006	—
Net cash used in investing activities	(106,346)	(115,371)	(64,229)
Cash Flows from Financing Activities:			
Proceeds from issuance of commercial paper and long-term debt	2,023,471	1,752,054	1,879,349
Principal payments on commercial paper and long-term debt	(1,998,196)	(1,691,002)	(1,813,753)
Dividends to shareholders	(25,778)	(22,878)	(21,455)
Proceeds from exercise of stock options	678	294	57
Net cash provided by financing activities	175	38,468	44,198
Increase in cash	3,293	2,433	7,153
Cash at beginning of year	37,267	34,834	27,681
Cash at end of year	$ 40,560	$ 37,267	$ 34,834
Supplementary disclosures:			
Income taxes paid	$ 74,998	$ 58,409	$ 42,755
Interest paid	24,012	17,140	16,014

NATIONAL SEMICONDUCTOR CORPORATION

Consolidated Statements Of Cash Flows

	Years Ended		
	May 28,	May 29,	May 30,
(In millions)	1995	1994	1993
Cash Flow from Operating Activities:			
Net income	$264.2	$264.0	$130.3
Adjustment to reconcile net income with net cash provided by operations:			
Depreciation and amortization	185.4	173.8	159.8
Cumulative effect of accounting change	—	(4.9)	—
Loss (gain) on sale of investments	(6.9)	(2.2)	5.2
Other, net	6.5	(1.8)	—
Changes in deferred taxes	(97.9)	1.7	—
Tax benefit associated with stock options	51.9	2.0	—
Changes in certain assets and liabilities:			
Receivables	(29.0)	(16.1)	(77.0)
Inventories	(50.3)	(18.5)	18.2
Other current assets	(4.6)	1.5	(22.5)
Accounts payable and accrued expenses	24.4	51.3	16.4
Income taxes	76.1	13.6	12.2
Other non-current liabilities	9.0	(30.7)	(8.6)
Net cash provided by operating activities	428.8	433.7	234.0
Cash Flow from Investing Activities:			
Purchases of property, plant and equipment	(478.8)	(270.7)	(233.9)
Proceeds from the sale of property, plant and equipment	—	—	15.7
Sale and maturity of available-for-sale securities	184.9	658.7	42.8
Maturity of held-to-maturity securities	707.1	—	—
Purchase of available-for-sale securities	(144.9)	(680.0)	(111.1)
Purchase of held-to-maturity securities	(696.7)	—	—
Proceeds from sale of investments	—	7.7	1.0
Purchase of investments and other, net	(22.0)	(11.2)	(11.6)
Net cash used by investing activities	(450.4)	(295.5)	(297.1)
Cash Flow from Financing Activities:			
Proceeds from issuance of debt	159.0	1.9	37.3
Repayment of debt	(83.0)	(19.7)	(23.7)
Collateral deposits and restricted cash	—	—	20.9
Issuance of common stock, net	29.4	28.5	18.0
Issuance of preferred stock, net of issuance costs	—	—	166.8
Purchase of treasury stock	(50.4)	(9.5)	—
Payment of preferred dividends	(11.2)	(18.7)	(17.1)
Net cash provided (used) by financing activities	43.8	(17.5)	202.2
Net change in cash and cash equivalents	22.2	120.7	139.1
Cash and cash equivalents at beginning of year	398.1	277.4	138.3
Cash and cash equivalents at end of year	$420.3	$398.1	$277.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents
Cash equivalents are highly liquid 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 14. Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activities

(In millions)	1995	1994	1993
Cash paid for:			
Interest expense	$ 6.4	$ 3.3	$4.5
Interest payment on tax settlements	$30.2	$18.6	$—
Income taxes	$43.2	$27.8	$4.9
Non-cash items:			
Issuance of stock for employee benefit plans	$ 4.0	$ 2.0	$—

The Company recorded capital lease obligations of $1.2 million during 1993, related to the acquisition of machinery and equipment. Non-cash financing activities in fiscal 1993 included the relief of debt of $12.3 million on the sale of the Migdal Haemek, Israel facility.

Loans Receivable

FLEMING COMPANIES, INC. (DEC)

Consolidated Statements Of Cash Flows

(In thousands)	1995	1994	1993
Cash Flows from Operating Activities:			
Net earnings	$ 42,001	$ 56,169	$ 35,172
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	180,796	145,910	101,103
Credit losses	30,513	61,218	52,018
Deferred income taxes	12,052	30,430	(24,471)
Equity investment results	27,240	14,793	11,865
Consolidation activities	(44,375)	(29,304)	87,211
Change in assets and liabilities, excluding effect of acquisitions:			
Receivables	7,156	1,964	(16,420)
Inventories	149,676	57,689	58,625
Other assets	38,995	13,346	(48,984)
Accounts payable	6,390	30,691	(38,472)
Other liabilities	(46,489)	(50,083)	(10,883)
Other adjustments, net	(4,956)	39	1,779
Net cash provided by operating activities	398,999	332,862	208,543
Cash Flows from Investing Activities:			
Collections on notes receivable	88,441	111,149	82,497
Notes receivable funded	(103,771)	(122,206)	(130,846)
Notes receivable sold	77,063	—	67,554
Businesses acquired	(10,654)	(387,488)	(51,110)
Proceeds from sale of businesses	—	6,682	—
Purchase of property and equipment	(116,769)	(150,057)	(55,554)
Proceeds from sale of property and equipment	29,907	14,917	2,955
Investments in customers	(11,298)	(12,764)	(37,196)
Proceeds from sale of investments	17,649	4,933	7,077
Other investing activities	(4,169)	(2,793)	197
Net cash used in investing activities	(33,601)	(537,627)	(114,426)
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	93,000	2,225,751	331,502
Principal payments on long-term debt	(452,690)	(1,912,717)	(373,693)
Principal payments on capital lease obligations	(17,269)	(13,990)	(11,316)
Sale of common stock under incentive stock and stock ownership plans	7,094	7,277	7,541
Dividends paid	(44,749)	(44,457)	(44,153)
Other financing activities	25,290	(30,381)	(7,076)
Net cash provided by (used in) financing activities	(389,324)	231,483	(97,195)
Net increase (decrease) in cash and cash equivalents	(23,926)	26,718	(3,078)
Cash and cash equivalents, beginning of year	28,352	1,634	4,712
Cash and cash equivalents, end of year	$ 4,426	$ 28,352	$ 1,634

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Cash and Cash Equivalents: Cash equivalents consist of liquid investments readily convertible to cash with a maturity of three months or less. The carrying amount for cash equivalents is a reasonable estimate of fair value.

Investments and Notes Receivable (In Part):

Investments and notes receivable consist of the following:

(In thousands)	1995	1994
Investments in and advances to customers	$129,956	$163,090
Notes receivable from customers	116,000	219,852
Other investments and receivables	25,807	19,661
Investments and notes receivable	$271,763	$402,603

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The company has sold certain notes receivable at face value with limited recourse. The outstanding balance at year end 1995 on all notes sold is $95 million, of which the company is contingently liable for $15 million should all the notes become uncollectible.

Supplemental Cash Flows Information

(In thousands)	1995	1994	1993
Acquisitions:			
Fair value of assets acquired	$142,458	$1,575,323	$111,077
Less:			
Liabilities assumed or created	63,873	1,198,050	9,057
Existing company investment	51,126	(15,281)	50,628
Cash acquired	16,805	5,066	282
Cash paid, net of cash acquired	$ 10,654	$ 387,488	$ 51,110
Cash paid during the year for:			
Interest, net of amounts capitalized	$171,141	$ 98,254	$ 79,634
Income taxes, net of refunds	$ (9,593)	$ 40,414	$ 74,320
Direct financing leases and related obligations	$ 28,568	$ 15,640	$ 33,594
Property and equipment additions by capital leases	$ 8,840	$ 30,606	$ 21,011

Purchase Method Business Combinations

HARSCO CORPORATION

Consolidated Statements Of Cash Flows

(In thousands)	1995	1994	1993
Cash Flows from Operating Activities			
Net income	$ 97,377	$ 86,553	$ 87,618
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	95,033	90,179	69,558
Amortization	9,830	9,410	5,250
Cumulative effect of accounting change	—	—	(6,802)
Gain on sale of investments	—	(5,966)	(17,555)
Equity in income of unconsolidated entities	(57,031)	(64,120)	(2,415)
Dividends or distributions from unconsolidated entities	38,400	71,845	1,348
Deferred income taxes	(19,018)	273	6,507
Write-off of federal excise tax receivable	13,455	—	—
Other, net	(1,890)	7,902	689
Changes in assets and liabilities, net of acquisitions and dispositions of businesses and formation of a partnership:			
Notes and accounts receivable	73,732	(34,263)	66,562
Inventories	(1,583)	(7,302)	9,189
Accounts payable	4,955	14,191	10,371
Advances on long-term contracts	(1,623)	(9,636)	13,673
Other assets and liabilities	7,178	2,329	(11,773)
Net Cash Provided by Operating Activities	258,815	161,395	232,220
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(113,895)	(90,928)	(83,395)
Purchase of businesses, net of cash acquired*	(4,145)	—	(337,062)
Proceeds from sale of businesses	3,821	2,444	—
Proceeds from sale of property, plant and equipment	11,491	8,222	3,302
Proceeds from sale of investment held available-for-sale	—	7,617	22,555
Investments held-to-maturity: Purchases	(3,067)	(15,750)	—
Maturities	5,475	24,740	—
Other investing activities	2,989	(9,495)	(3,066)
Net Cash (used) by Investing Activities	(97,331)	(73,150)	(397,666)
Cash Flows from Financing Activities			
Short-term borrowings, net	(13,998)	(35,303)	28,339
Current maturities and long-term debt: Additions	27,076	123,445	224,248
Reductions	(95,884)	(164,662)	(8,222)
Cash dividends paid on common stock	(37,397)	(35,137)	(35,089)
Common stock issued-options	5,660	7,241	4,450
Common stock acquired for treasury	(14,130)	—	(36,322)
Other financing activities	605	1,376	(3,849)
Net Cash Provided (used) by Financing Activities	(128,068)	(103,040)	173,555
Effect of exchange rate changes on cash	(297)	(395)	265
Net increase (decrease) in cash and cash equivalents	33,119	(15,190)	8,374
Cash and cash equivalents at beginning of year	43,550	58,740	50,366
Cash and Cash Equivalents at end of year	$ 76,669	$ 43,550	$ 58,740
*Purchase of businesses, net of cash acquired			
Working capital, other than cash	$ 5,139	$ —	$ 5,748
Property, plant and equipment	(8,263)	—	(202,241)
Cost in excess of net assets of companies acquired, net	—	—	(215,428)
Other noncurrent assets	(1,021)	—	(7,789)
Long-term debt	—	—	29,655
Noncurrent liabilities	—	—	52,993
Net Cash Used to Acquire Businesses	$ (4,145)	$ —	$ (337,062)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid debt instruments purchased with a maturity of three months or less.

7 (In Part): Debt and Credit Agreements

Cash payments for interest on all debt, net of capitalized interest, were $28,798,000, $33,544,000 and $15,165,000 in 1995, 1994 and 1993, respectively.

11 (In Part): Income Taxes

Cash payments for income taxes were $75,478,000, $49,151,000 and $55,431,000, for 1995, 1994 and 1993, respectively.

Nonhomogeneous Operations

CHRYSLER CORPORATION

Consolidated Statement Of Cash Flows

(In millions of dollars)	Year Ended December 31		
	1995	1994	1993
Cash Flows from Operating Activities:			
Net earnings (loss)	$ 2,025	$ 3,713	$ (2,551)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	2,220	1,955	1,640
Provision for credit losses	372	203	209
Deferred income taxes	186	1,065	803
Cumulative effect of changes in accounting principles	96	—	4,966
Gains on sales of automotive assets and investments	—	—	(265)
Change in receivables	848	(1,158)	(2)
Change in inventories	(435)	129	(557)
Change in prepaid expenses and other assets	(702)	(1,898)	(1,472)
Change in accounts payable and accrued and other liabilities	2,089	2,613	(5)
Other	243	161	47
Net Cash Provided by Operating Activities	6,942	6,783	2,813
Cash Flows from Investing Activities:			
Purchases of marketable securities	(5,410)	(5,425)	(4,700)
Sales and maturities of marketable securities	6,122	3,519	4,937
Finance receivables acquired	(24,437)	(20,149)	(16,809)
Finance receivables collected	5,040	5,236	9,616
Proceeds from sales of finance receivables	16,310	13,482	7,846
Proceeds from sales of nonautomotive assets	—	—	2,375
Proceeds from sales of automotive assets and investments	—	62	461
Expenditures for property and equipment	(3,060)	(2,847)	(1,761)
Expenditures for special tools	(1,049)	(1,177)	(1,234)
Other	585	351	446
Net Cash (Used in) Provided by Investing Activities	(5,899)	(6,948)	1,177
Cash Flows from Financing Activities:			
Change in short-term debt (less than 90-day maturities)	(1,971)	1,348	2,518
Proceeds from long-term borrowings and revolving lines of credit	4,731	1,305	6,995
Payments on long-term borrowings and revolving lines of credit	(1,687)	(1,011)	(13,592)
Proceeds from issuance of common stock, net of expenses	—	—	1,952
Repurchases of common stock	(1,047)	—	—
Dividends paid	(710)	(399)	(281)
Other	39	27	101
Net Cash (Used in) Provided by Financing Activities	(645)	1,270	(2,307)
Change in cash and cash equivalents	398	1,105	1,683
Cash and cash equivalents at beginning of year	5,145	4,040	2,357
Cash and Cash Equivalents at End of Year	$ 5,543	$ 5,145	$ 4,040

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents
Highly liquid investments with a maturity of three months or less at the date of purchase are classified as cash equivalents.

Note 15. Supplemental Cash Flow Information

Supplemental disclosures to the consolidated statement of cash flows were as follows:

	Year Ended December 31		
(In millions of dollars)	1995	1994	1993
Interest paid (net of amounts capitalized):			
Chrysler, excluding CFC	$105	$195	$326
CFC	847	733	847
Interest capitalized	204	177	176
Income taxes paid, net of refunds received	944	910	535

CFC acquired $250 million and $300 million of asset-backed securities in non-cash transactions relating to the securitization of retail receivables during 1995 and 1994, respectively.

Restricted Assets

PALL CORPORATION

Consolidated Statements Of Cash Flows

(In thousands)	Years Ended July 29, 1995	July 30, 1994	July 31, 1993
Operating Activities:			
Net earnings	$118,436	$98,922	$78,312
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	41,667	36,804	35,188
Amortization of intangibles	4,393	2,737	1,807
Restructuring and other charges	—	3,696	23,110
Deferred income taxes	221	4,406	(4,289)
Provision for doubtful accounts	998	1,033	1,048
Cumulative effect of a change in accounting for postemployment benefits	780	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	2,496	(5,354)	(14,245)
Inventories	(11,547)	(7,284)	(2,827)
Prepaid expenses	210	(640)	(3,162)
Other assets	(8,576)	(4,848)	(2,433)
Accounts payable	4,625	2,285	(829)
Accrued expenses	1,080	(2,302)	3,800
Income taxes payable	236	(1,418)	(4,860)
Other liabilities	1,888	1,680	3,945
Net Cash Provided by Operating Activities	156,907	129,717	114,565
Investing Activities:			
Capital expenditures	(66,479)	(73,354)	(62,582)
Disposals of fixed assets	4,523	1,942	3,059
Short-term investments	(22,050)	13,600	9,952
Acquisitions of license and of businesses, net of cash acquired	(230)	(11,333)	—
Benefits protection trust	(2,599)	(2,567)	(7,072)
Net Cash Used by Investing Activities	(86,835)	(71,712)	(56,643)
Financing Activities:			
Net short-term borrowings	1,930	(14,241)	14,253
Long-term borrowings	21,620	31,165	5,358
Payments on long-term debt	(4,223)	(17,297)	(35,749)
Net proceeds from exercise of stock options	3,043	6,185	4,488
Dividends paid	(45,564)	(39,954)	(26,357)
Treasury stock	(49,997)	(30,190)	—
Net Cash Used by Financing Activities	(73,191)	(64,332)	(38,007)
Cash Flow for Year	(3,119)	(6,327)	19,915
Cash and Cash Equivalents at Beginning of Year	38,224	42,652	26,977
Effect of Exchange Rate Changes on Cash	2,808	1,899	(4,240)
Cash and Cash Equivalents at End of Year	$ 37,913	$38,224	$42,652
Supplemental Disclosures:			
Interest paid (net of amount capitalized)	$ 9,143	$ 6,292	$10,379
Income taxes paid (net of refunds)	47,524	32,670	34,316
Treasury stock issued upon acquisition of Filtron Technology Corporation	24,855	—	—

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

Accounting Policies (In Part):

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less, other than its investments in Puerto Rico, to be cash equivalents. Cash equivalents, consisting principally of short-term bank deposits, totalled $11,808 and $17,703 at July 29, 1995 and July 30, 1994, respectively. The Company holds all cash equivalents until maturity.

Other Assets (In Part):

The benefits protection trust was established for the purpose of satisfying certain previously unfunded pension obligations, in the event of a change of control of the Company. The July 29, 1995 and July 30, 1994 balance sheets reflect related liabilities in the amounts of $28,240 and $26,999, respectively. The trust primarily holds investments in U.S. government obligations and debt obligations of corporations with high credit ratings. The Company considers investments held in the trust to be available-for-sale and, therefore, these investments are carried at fair value. Unrealized gains and losses are reported as a separate component of stockholders' equity, until realized. Realized gains and losses are recognized in earnings upon sale. Contractual maturity dates of U.S. government obligations and of corporate obligations range from 1996-2004 and 1997-2005, respectively. Pertinent information related to the trust follows:

	1995	1994	1993
Company contributions	$ 2,599	$ 2,567	$ 7,072
Total purchases (excluding above contributions)	28,364	33,896	11,339
Total proceeds from sales	29,611	34,309	10,455
Net (losses) gains recognized	(712)*	(157)	120

*Unrealized gains of $746 are reflected in stockholders' equity.

Divestitures

RALSTON PURINA COMPANY

Consolidated Statement Of Cash Flows

	Year ended September 30		
(Dollars in millions)	1995	1994	1993
Cash Flow from Operations			
Net earnings	$ 296.4	$ 208.9	$ 122.6
Adjustments to reconcile net earnings to net cash flow provided by operations			
Extraordinary item	3.7	9.5	11.8
Cumulative effect of accounting changes			206.9
Non-cash restructuring accrual	33.0	46.4	
Depreciation and amortization	289.5	309.4	309.7
Deferred income taxes	(8.6)	(34.3)	3.1
Gain on sale of CBC	(50.3)		
Changes in assets and liabilities used in operations			
Increase in accounts receivable	(75.4)	(137.4)	(14.7)
(Increase) decrease in inventories	(73.2)	1.0	(19.4)
(Increase) decrease in other current assets	11.5	(27.8)	(.7)
Increase in accounts payable and accrued liabilities	7.4	73.3	73.6
Increase (decrease) in other current liabilities	12.7	2.8	(11.6)
Other, net	27.0	19.2	10.7
Net cash flow from operations	473.7	471.0	692.0
Cash Flow from Investing Activities			
Property additions	(284.6)	(32.1)	(320.8)
Proceeds from the sale of property	17.7	40.1	32.7
Proceeds from the sale of CBC	220.0		
Acquisition of businesses	(358.0)	(39.2)	(142.8)
Other, net	(23.1)	(6.6)	40.0
Net cash used by investing activities	(428.0)	(337.8)	(390.9)
Cash Flow from Financing Activities			
Proceeds from issuance of debt for spin-off		370.0	
Proceeds from sale of long-term debt	272.8	37.7	265.7
Principal payments on long-term debt, including current maturities	(318.1)	(233.8)	(260.5)
Net increase (decrease) in notes payable	222.6	40.9	(46.8)
Treasury stock purchases	(15.3)	(103.2)	(69.8)
Dividends paid	(153.8)	(155.8)	(162.9)
Stock repurchases in connection with the CBC ESOP	(126.0)		
Other, net	(8.8)	(.6)	3.4
Net cash used by financing activities	(126.6)	(44.8)	(270.9)
Effect of Exchange Rate Changes on Cash	(.8)	(20.3)	(31.8)
Net Increase (Decrease) in Cash and Cash Equivalents	(81.7)	68.1	(1.6)
Cash and Cash Equivalents, Beginning of Year	126.0	57.9	59.5
Cash and Cash Equivalents, End of Year	$ 44.3	$ 126.0	$ 57.9

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

Summary of Accounting Policies (In Part):

Cash Equivalents for purposes of the statement of cash flows are considered to be all highly liquid investments with a maturity of three months or less when purchased. Cash flow from hedging transactions are classified in the same category as the cash flow from the item being hedged.

Divestitures

Effective July 22, 1995, the Company sold its Continental Baking Company (CBC) subsidiary to Interstate Bakeries Corporation (IBC) and its wholly owned subsidiary, Interstate Brands Corporation, for $220 in cash and 16,923,077 shares of common stock of IBC (the IBC Stock). The Company recorded a pre-tax and after-tax gain on the sale of CBC of $50.3 and $42.0, respectively, or $.41 per pro forma primary share. Due to the Company's continuing ownership interest in IBC, an additional $18.5 after-tax gain has been deferred until ultimate disposition of the IBC Stock.

On March 31, 1994 the Company effected a spin-off of its private label and branded cereal, baby food, crackers and cookies, ski resort and coupon redemption businesses. One share of stock of the new company, Ralcorp Holdings, Inc. (Ralcorp), was distributed for each three shares of RAL Stock held by shareholders.

The Company's earnings and cash flows reflect the operations of CBC through July 22, 1995 and reflect the operations of spun-off businesses through March 31, 1994.

Supplemental Cash Flow Statement Information

	Year Ended September 30,		
	1995	1994	1993
Interest paid	$201.0	$217.2	$230.8
Income taxes paid	203.2	236.8	242.6

SUN COMPANY, INC.

Consolidated Statements Of Cash Flows

	For the Years Ended December 31		
(Millions of dollars)	1995	1994	1993
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Net income	$ 140	$ 90	$ 288
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	87	7	(5)
Provision for write-down of assets and other matters	93	54	23
Gain on divestment of Suncor common stock	(242)	—	(30)
Gain on other divestments	(3)	(51)	(144)
Depreciation, depletion and amortization	341	359	354
Dry hole costs and leasehold impairment	7	14	14
Deferred income taxes	61	(60)	59
Changes in working capital pertaining to operating activities:			
Accounts and notes receivable	(148)	(85)	106
Inventories	(27)	(41)	(13)
Accounts payable and accrued liabilities	87	107	(277)
Taxes payable	(57)	47	(3)
Other	13	40	41
Net cash provided by operating activities	352	481	413
Cash Flows from Investing Activities:			
Capital expenditures	(545)	(848)	(612)
Acquisition of Girard Point refinery and related assets (Notes 2 and 18)	—	(164)	—
Cash provided by (used in) operations held for sale (Note 2)	(4)	43	154
Proceeds from divestment of Suncor common stock (Notes 2 and 18)	635	—	169
Proceeds from other divestments	66	131	201
Other	(15)	2	(26)
Net cash provided by (used in) investing activities	137	(836)	(114)
Cash Flows from Financing Activities:			
Net proceeds from (repayments of) short-term borrowings	(167)	111	(105)
Proceeds from issuance of long-term debt	15	543	26
Repayments of long-term debt	(142)	(115)	(97)
Cash dividend payments on preference stock	(23)	—	—
Cash dividend payments on common stock	(133)	(192)	(192)
Purchases of common stock for treasury	(238)	—	—
Other	96	7	8
Net Cash provided by (used in) financing activities	(592)	354	(360)
Net decrease in cash and cash equivalents	(103)	(1)	(61)
Cash and cash equivalents at beginning of year	117	118	179
Cash and cash equivalents at end of year	$ 14	$117	$ 118

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents and Short-Term 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 short-term investments are stated at cost which approximates market value.

18. Supplemental Cash Flow Information

During 1995, Sun completed the divestment of its remaining 55-percent interest in Suncor and in 1994, Sun acquired the Girard Point refinery, related inventory and certain pipeline interests (Note 2). The following is a summary of the effects of these transactions on Sun's consolidated financial position:

(Millions of dollars)	Suncor Divestment	Girard Point Acquisition
(Increase) decrease in:		
Note receivable from divestment of Suncor common stock	$ (125)	$ —
Accounts and other notes receivable	165	—
Inventories	123	(108)
Properties, plants and equipment	1,328	(149)
Other noncurrent assets	41	—
Increase (decrease) in:		
Accounts payable and accrued liabilities	(230)	10
Current portion of long-term debt	(4)	—
Taxes payable	(47)	—
Long-term debt	(160)	—
Retirement benefit liabilities	(45)	22
Deferred income taxes	(146)	—
Other deferred credits and liabilities	(109)	61
Minority interest	(392)	—
Cumulative foreign currency translation adjustment	79	—
Earnings employed in the business	157	—
Net increase (decrease) in cash and cash equivalents	$ 635	$(164)

In 1995, Sun transferred an interest in its cokemaking operations in exchange for $95 million in cash. The transferee is entitled to a preferential return from the cash flows of the cokemaking operation until certain cumulative return targets have been met. Sun did not recognize a gain or loss on this transaction. The transaction is not expected to have a significant impact on Sun's future results of operations.

Cash payments for income taxes were $74, $58 and $116 million in 1995, 1994 and 1993, respectively. Cash payments for interest, net of amounts capitalized, were $100, $74 and $73 million in 1995, 1994 and 1993, respectively.

Deconsolidation Of Joint Venture

SHAW INDUSTRIES, INC. (DEC)

Consolidated Statements Of Cash Flows

	1995	1994	1993
Operating Activities:			
Net Income	$ 52,304,000	$127,026,000	$117,636,000
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	91,083,000	84,898,000	82,416,000
Provision for doubtful accounts	8,629,000	12,747,000	12,987,000
Deferred income taxes	5,028,000	(1,457,000)	1,717,000
Cumulative effect of accounting change	12,077,000	—	—
Extraordinary loss on early extinguishment of debt	—	3,363,000	—
Stock option compensation expense	—	469,000	798,000
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(21,137,000)	(44,132,000)	(24,846,000)
Inventories	2,456,000	(45,664,000)	(18,306,000)
Accounts payable	(32,899,000)	(16,341,000)	8,376,000
Accrued liabilities	28,277,000	(9,769,000)	18,846,000
Other, net	15,429,000	(22,512,000)	(16,537,000)
Total Adjustments	108,943,000	(38,398,000)	65,451,000
Net Cash Provided by Operating Activities	161,247,000	88,628,000	183,087,000
Investing Activities:			
Increase in property, plant and equipment	(67,257,000)	(148,904,000)	(97,709,000)
Acquisition of business assets	(29,503,000)	(8,386,000)	(72,908,000)
Investment in joint venture	(3,500,000)	(10,001,000)	—
Deconsolidation of joint venture	(3,828,000)	—	—
Net Cash Used in Investing Activities	(104,088,000)	(167,291,000)	(170,617,000)
Financing Activities:			
Borrowings under revolving credit agreement	30,000,000	389,143,000	5,000,000
Repayment of revolving credit agreement	(35,000,000)	—	—
Borrowings on other long-term debt	3,779,000	—	45,000,000
Repayment of long-term debt	—	(142,887,000)	(68,627,000)
Net payments on short-term debt	—	(20,000,000)	(40,000,000)
Cash paid to retire debt	—	(5,513,000)	—
Purchase and retirement of common stock	(20,590,000)	(110,389,000)	(3,393,000)
Payment of cash dividends	(40,756,000)	(31,145,000)	(25,731,000)
Proceeds from exercise of stock options	2,496,000	1,080,000	4,977,000
Net Cash (Used in) Provided by Financing Activities	(60,071,000)	80,289,000	(82,774,000)
Cash and Cash Equivalents:			
Net change	(2,912,000)	1,626,000	(70,304,000)
Beginning of period	34,365,000	32,739,000	103,043,000
End of period	$ 31,453,000	$ 34,365,000	$ 32,739,000
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for			
Interest	$ 41,751,000	$ 31,451,000	$ 28,712,000
Income taxes	$ 36,874,000	$ 64,308,000	$ 79,826,000
Noncash capital lease obligations	$ 3,450,000	$ 1,667,000	$ 2,896,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Cash and Cash Equivalents
The Company considers all investments with an original maturity of three months or less to be cash equivalents.

Note 7 (In Part): Acquisitions

On May 31, 1994, the Company formed a joint venture (the "Terza 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 primarily in Mexico and South America. The Company originally acquired a 51 percent interest in the Terza Joint Venture for $14,050,000, and accordingly, the joint venture's financial statements were consolidated with the Company's financial statements at December 31, 1994 and for the period from the acquisition date to December 31, 1994. Effective January 1, 1995, the Company sold a 2 percent interest in the Terza Joint Venture for $550,000 reducing its interest to 49 percent. As a result, the Company's investment in the Terza Joint Venture is being accounted for using the equity method. The deconsolidation of the Terza Joint Venture had an insignificant effect on the Company's consolidated total assets and net sales as of and for the year ended December 30, 1995.

Insurance Proceeds

TERRA INDUSTRIES INC.

Consolidated Statements Of Cash Flows

	Year ended December 31,		
(In thousands)	1995	1994	1993
Operating Activities			
Net income	$ 159,544	$ 56,561	$ 22,845
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	66,075	27,218	15,470
Deferred income taxes	47,849	20,956	5,500
Cumulative effect of accounting changes	—	(3,376)	—
Minority interest in earnings	47,234	8,809	—
Other non-cash items	2,544	10,923	(839)
Change in current assets and liabilities, excluding working capital purchased/sold:			
Accounts receivable	(24,557)	19,615	(24,540)
Inventories	(30,466)	(59,303)	(6,718)
Other current assets	46	(13,056)	(2,893)
Accounts payable	22,950	60,478	(9,945)
Accrued and other liabilities	35,349	39,405	2,452
Unreimbursed Port Neal casualty	(68,748)	—	—
Other	(14,699)	212	(2,354)
Net Cash Provided by (Used in) Operating Activities	243,121	168,442	(1,022)
Investing Activities			
Port Neal plant construction	(133,106)	—	—
Insurance proceeds from plant casualty	127,557	—	—
Acquisitions, net of cash acquired	(22,326)	(373,722)	(58,260)
Purchase of property, plant and equipment	(44,023)	(31,213)	(21,620)
Purchase of minority interest—TNCLP	(28,834)	—	—
Discontinued operations	4,944	(2,138)	5,630
Proceeds from asset sales	—	—	24,391
Proceeds from investments	726	690	537
Net Cash Used in Investing Activities	(95,062)	(406,383)	(49,322)
Financing Activities			
Net short-term borrowings	4,906	13,795	7,313
Proceeds from issuance of long-term debt	203,112	326,407	250
Principal payments on long-term debt	(349,134)	(101,416)	(12,545)
Debt issuance costs	(8,333)	(13,581)	—
Stock issuance/repurchase—net	1,187	117,666	513
Distribution to minority interests	(36,750)	(5,040)	—
Sale of minority interest in subsidiaries	24,950	—	—
Dividends	(8,662)	(5,837)	(1,386)
Net Cash Provided by (Used In) Financing Activities	(168,724)	331,994	(5,855)
Foreign Exchange Effect on Cash and Short-Term Investments	988	(771)	(488)
(Decrease) Increase in Cash and Short-term Investments	(19,677)	93,282	(56,687)
Cash and Short-term Investments at Beginning of Year	158,384	65,102	121,789
Cash and Short-term Investments at End of Year	$ 138,707	$158,384	$ 65,102
Interest Paid	$ 77,800	$ 16,500	$ 11,800
Taxes Paid	$ 47,665	$ 22,600	$ 3,800

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.

7. Port Neal Casualty

On December 13, 1994, the Corporation's Port Neal facility in Iowa was extensively damaged as a result of an explosion. There were four employee fatalities plus injuries or damages to other people and property. Insurance was in force to cover damage to the Corporation's property, business interruption and third party liability claims. A $7 million pretax charge was recorded in 1994 for expected uninsured costs associated with the incident, including deductibles. As of December 31, 1995, the Corporation had received interim payments of $175.3 million on its claim. The Corporation is in discussions with its insurers as to additional insurance proceeds which the Corporation believes it should be entitled. Estimated lost profits recoverable under the business interruption policy are being included in income. Insurance proceeds received under the Corporation's property damage claim are being deferred pending final settlement of the claim. The Corporation has invested additional funds for other enhancements and improvements at the Port Neal facility.

The Corporation expects to record a substantial nonrecurring gain, representing the difference between the property insurance settlement on the Port Neal facility with the Corporation's insurers and the carrying value of the facility at the time of the explosion. The amount of the gain will be dependent on final construction, clean-up expenditures and the settlement reached with the Corporation's insurance carriers. As of December 31, 1995, $80.3 million has been recorded as a deferred gain and is included in other liabilities.

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

ARMSTRONG WORLD INDUSTRIES, INC.

Consolidated Statements Of Cash Flows

	Years ended December 31		
(Millions)	1995	1994	1993
Cash flows from operating activities:			
Net earnings	$ 123.3	$ 210.4	$ 63.5
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization excluding furniture and ceramic tile	109.6	106.9	102.1
Depreciation and amortization for furniture and ceramic tile	26.5	26.5	27.9
Deferred income taxes	(8.7)	14.6	(1.3)
Gain on sale of discontinued businesses	(83.9)	—	—
Loss on ceramic tile business combination net of taxes	116.8	—	—
Loss from restructuring activities	71.8	—	89.3
Restructuring payments	(18.3)	(20.2)	(38.7)
(Increase) decrease in net assets of discontinued business	2.3	(4.4)	(4.4)
Changes in operating assets and liabilities net of effect of discontinued business, restructuring and dispositions:			
(Increase) decrease in receivables	4.9	(20.3)	18.1
(Increase) decrease in inventories	(26.3)	1.8	23.4
(Increase) decrease in other current assets	9.1	(2.2)	13.1
(Increase) in investment in affiliates	(5.1)	(11.9)	(2.0)
(Increase) in other noncurrent assets	(31.9)	(21.2)	(36.1)
Increase (decrease) in accounts payable and accrued expenses	(35.9)	37.1	16.3
Increase (decrease) in income taxes payable	(8.2)	(10.1)	11.3
Increase (decrease) in other long-term liabilities	21.1	(5.5)	20.2
Other, net	2.9	3.7	(8.6)
Net cash provided by operating activities	270.0	305.2	294.1
Cash flows from investing activities:			
Purchases of property, plant and equipment excluding furniture and ceramic tile	(162.2)	(113.8)	(87.8)
Purchases of property, plant and equipment for furniture and ceramic tile	(23.9)	(34.5)	(29.8)
Investment in computer software	(10.9)	(4.3)	(2.9)
Proceeds from sale of land, facilities and discontinued businesses	342.6	12.8	10.3
Acquisitions	(20.7)	—	—
Investment in ceramic tile business combination	(27.6)	—	—
Net cash provided by (used for) investing activities	97.3	(139.8)	(110.2)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	3.2	(89.6)	(114.9)
Reduction of long-term debt	(20.1)	(5.7)	(9.2)
Cash dividends paid	(70.8)	(66.2)	(63.8)
Purchase of common stock for the treasury	(41.3)	(10.6)	(0.1)
Proceeds from exercised stock options	7.0	8.4	4.9
Other, net	(0.6)	(0.8)	(7.6)
Net cash used for financing activities	(122.6)	(164.5)	(190.7)
Effect of exchange rate changes on cash and cash equivalents	0.2	2.0	0.7
Net increase (decrease) in cash and cash equivalents	$ 244.9	$ 2.9	$ (6.1)
Cash and cash equivalents at beginning of year	$ 12.0	$ 9.1	$ 15.2
Cash and cash equivalents at end of year	$ 256.9	$ 12.0	$ 9.1
Supplemental cash flow information			
Interest paid	$ 29.6	$ 31.9	$ 33.8
Income taxes paid	$ 76.9	$ 62.0	$ 15.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

Short-term investments, substantially all of which have maturities of three months or less when purchased, are considered to be cash equivalents and are carried at cost or less, generally approximating market value.

CARPENTER TECHNOLOGY CORPORATION

Consolidated Statement Of Cash Flows

	For the years ended June 30,		
(In thousands)	1995	1994	1993
Operations			
Net income (loss)	$ 47,492	$ 36,250	$ (48,142)
Adjustment to reconcile net income (loss) to net cash provided from operations:			
Depreciation and amortization	32,479	29,887	26,947
Deferred income taxes	3,314	4,057	10,953
Prepaid pension cost	(7,933)	(11,563)	(11,834)
Equity in loss of joint venture	3,000	910	—
Extraordinary charge	—	2,039	—
Cumulative effect of changes in accounting principles	—	—	74,676
Changes in working capital and other:			
Receivables	(21,819)	(1,889)	(12,497)
Inventories	(29,480)	16,907	63,137
Accounts payable	15,111	10,480	(5,985)
Accrued current liabilities	6,800	1,984	(791)
Other, net	(5,177)	10,404	(1,416)
Net cash provided from operations	43,787	99,466	95,048
Investing Activities			
Purchases of plant and equipment	(36,945)	(26,604)	(20,563)
Disposals of plant and equipment	1,424	3,144	405
Investment in joint venture	(2,060)	(49,196)	—
Acquisitions of businesses, net of cash received	(13,032)	(22,323)	—
Net cash used for investing activities	(50,613)	(94,979)	(20,158)
Financing Activities			
Provided by (payments on) short-term debt	20,145	(2,794)	—
Proceeds from issuance of long-term debt	80,000	45,851	—
Payments on long-term debt	(55,736)	(71,271)	(6,843)
Dividends paid	(21,045)	(20,824)	(20,868)
Proceeds from issuance of common stock	1,745	4,245	955
Payments to acquire treasury stock	(3,002)	—	(11,633)
Net cash provided from (used for) financing activities	22,107	(44,793)	(38,389)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(565)	(112)	—
Increase (Decrease) in Cash and Cash Equivalents	14,716	(40,418)	36,501
Cash and cash equivalents at beginning of year	5,404	45,822	9,321
Cash and cash equivalents at end of year	$ 20,120	$5,404	$ 45,822
Supplemental Data:			
Interest payments, net of amounts capitalized	$ 15,441	$ 17,592	$ 22,195
Income tax payments, net of refunds	$ 17,692	$ 18,066	$ 2,538

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents
Cash equivalents consist of highly liquid instruments with maturities at the time of acquisition of three months or less. Cash equivalents are stated at cost, which approximates market.

Debt Proceeds/Repayments

AMERICAN GREETINGS CORPORATION

Consolidated Statement Of Cash Flows

	Years ended February 28,		
(Thousands of dollars)	1995	1994	1993
Operating Activities:			
Net income	$148,792	$113,702	$112,288
Adjustments to reconcile to net cash provided (used) by operating activities:			
Postretirement benefit obligation	—	22,530	—
Depreciation	68,438	59,575	48,450
Deferred income taxes	(9,736)	(15,809)	(9,286)
Changes in operating assets and liabilities:			
Increase in trade accounts receivable	(4,973)	(37,940)	(17,498)
(Increase) decrease in inventories	(37,944)	(13,196)	39,279
Increase in other current assets	(14,860)	(31,256)	(35,263)
Increase in deferred cost—net	(45,746)	(52,887)	(16,942)
(Decrease) increase in accounts payable and other liabilities	(4,879)	23,008	43,401
Other—net	7,906	7,886	4,851
Cash Provided by Operating Activities	106,998	75,613	169,280
Investing Activities:			
Property, plant and equipment additions	(97,290)	(102,859)	(77,099)
Proceeds from sale of fixed assets	3,447	1,009	592
Investment in corporate-owned life insurance	1,813	18,930	471
Other	(2,966)	1,344	(10,473)
Cash Used by Investing Activities	(94,996)	(81,576)	(86,509)
Financing Activities:			
Increase in long-term debt	30,914	19,519	19,103
Reduction of long-term debt	(29,862)	(216,892)	(3,911)
Increase (decrease) in short-term debt	9,919	89,456	(16,717)
Sale of stock under benefit plans	7,130	21,792	15,100
Purchase of treasury shares	(3,462)	(6,399)	(8,028)
Dividends to shareholders	(40,556)	(35,633)	(30,494)
Cash Used by Financing Activities	(25,917)	(128,157)	(24,947)
(Decrease) Increase In Cash And Equivalents	(13,915)	(134,120)	57,824
Cash and Equivalents at Beginning of Year	101,066	235,186	177,362
Cash and Equivalents at End of Year	$ 87,151	$101,066	$235,186

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of dollars)

Note A (In Part): Accounting Policies

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

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

Interest paid on short-term and long-term debt was $16,081 in 1995, $17,495 in 1994 and $27,386 in 1993.

Note G (In Part): Income Taxes

Income taxes paid were $101,982 in 1995, $83,290 in 1994 and $67,108 in 1993.

INTERFACE, INC.

Consolidated Statements Of Cash Flows

(In thousands)	Fiscal Year Ended 12/31/95	1/1/95	1/2/94
Operating Activities			
Net income	$ 16,828	$ 16,456	$ 13,849
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation and amortization	28,944	28,180	24,512
Extraordinary loss on early extinguishment of debt, (net of tax)	3,512		
Deferred income taxes	1,431	(1,994)	(5,853)
Cash provided by (used for)			
Accounts receivable	25,978	(2,788)	(1,569)
Inventories	5,979	(6,849)	3,147
Prepaid expenses and other	8	(1,671)	(6,374)
Accounts payable and accrued expenses	(6,132)	2,061	12,870
	76,548	33,395	40,582
Investing Activities			
Capital expenditures	(42,123)	(21,315)	(20,639)
Acquisitions of businesses	(27,554)	(1,409)	(15,209)
Changes in escrowed and restricted funds	2,663	1,352	404
Other	(5,145)	(5,030)	(7,039)
	(72,159)	(26,402)	(42,483)
Financing Activities			
Principal borrowings (payments) on long-term debt	(11,935)	75,011	(11,500)
Proceeds from issuance of subordinated notes	121,543		
Retirement of convertible subordinated debentures	(106,419)		
Net borrowing (payments) under lines of credit	1,965	(75,233)	15,572
Proceeds from issuance of common stock	984	678	1,898
Dividends paid	(6,132)	(6,073)	(5,063)
Other		(2,026)	
	6	(7,643)	907
Net cash provided by (used for) operating, investing, and financing activities	4,395	(650)	(994)
Effect of exchange rate changes on cash	(34)	365	(156)
Cash And Cash Equivalents			
Net increase (decrease)	4,361	(285)	(1,150)
Balance, beginning of year	4,389	4,674	5,824
Balance, End Of Year	$ 8,750	$ 4,389	$ 4,674

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

(In thousands)	12/31/95	1/1/95
Cash	$7,261	$3,496
Cash equivalents	1,489	893
	$8,750	$4,389

Cash equivalents, carried at cost which approximates market, consist of short-term, highly liquid investments which are readily convertible into cash and have initial maturities of three months or less. The Company does not believe it is exposed to any significant credit risk on cash and cash equivalents. The Company has classified all its securities as "Available for Sale." Fair value of these securities, comprised primarily of repurchase agreements with commercial banks, approximates cost.

Under the Company's cash management program, checks in transit are not considered reductions of cash or accounts payable until presented to the bank for payment. At December 31, 1995 and January 1, 1995, checks not yet presented to the bank totaled approximately $7.7 million and $6.3 million, respectively. Prior to December 1995, in accordance with a workers' compensation self-insurance arrangement in the State of Maine, the Company was required by state law to maintain a trust account to pay workers' compensation claims. At January 1, 1995, the trust account had a balance of approximately $2.4 million, and was segregated from cash and cash equivalents and reflected as escrowed and restricted funds. In December 1995, the Company received a refund of all previously escrowed funds in exchange for obtaining a $4.4 million irrevocable letter of credit. Cash payments for interest amounted to approximately $27.9 million, $24.0 million and $23.4 million for the years ended December 31, 1995, January 1, 1995, and January 2, 1994, respectively. Income tax payments amounted to approximately $8.2 million, $6.5 million and $16.3 million, respectively, for the years ended December 31, 1995, January 1, 1995, and January 2, 1994.

Dividend Payments

VALMONT INDUSTRIES, INC.

Consolidated Statements Of Cash Flows

(Dollars in thousands)	Three-year period ended December 30, 1995 1995	1994	1993
Cash flows from operations:			
Net earnings	$ 24,759	$ 18,887	$ 7,278
Adjustments to reconcile net earnings to net cash provided (used) by operations:			
Depreciation and amortization	12,361	11,018	10,907
Restructuring charge	—	—	10,380
Earnings from discontinued operations	—	—	(4,637)
Cumulative effect of accounting change	—	—	4,910
Other adjustments	(102)	(198)	302
Changes in assets and liabilities, net of acquisitions:			
Receivables	(2,681)	(2,083)	(7,307)
Inventories	(9,742)	11,195	(11,804)
Prepaid expenses	261	169	303
Accounts payable	1,486	6,001	156
Accrued expenses	3,444	(2,151)	(283)
Other noncurrent liabilities	(1,226)	2,088	3
Income taxes	64	3,735	(11,033)
Total adjustments	3,865	29,774	(8,105)
Net cash provided (used) by operations	28,624	48,661	(827)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(34,772)	(23,535)	(17,089)
Acquisitions	—	(2,034)	—
Proceeds from investment by minority shareholder	1,677	—	—
Proceeds from sale of Inacom	—	—	47,557
Change in other assets	1,461	(1,638)	(1,505)
Proceeds from sale, net of gain, of property and equipment	212	2,334	2,524
Other, net	418	334	650
Net cash provided (used) by investing activities	(31,004)	(24,539)	32,137
Cash flows from financing activities:			
Net borrowings (repayments) under short-term agreements	1,754	(1,688)	(1,980)
Proceeds from long-term borrowings	—	3,845	—
Principal payments on long-term obligations	(7,489)	(5,802)	(24,894)
Dividends paid	(3,612)	(3,467)	(3,214)
Distributions of pooled company	(2,063)	(1,102)	(946)
Proceeds from exercises under employee stock plans	1,193	663	1,410
Purchase of common treasury shares	(535)	(996)	(938)
Net cash used in financing activities	(10,752)	(8,547)	(30,562)
Net increase (decrease) in cash and cash equivalents	(13,132)	15,575	748
Cash and cash equivalents-beginning of year	30,128	14,553	13,805
Cash and cash equivalents-end of year	$ 16,996	$ 30,128	$14,553

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

2. Cash Flow Supplementary Information

The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash payments for interest and income taxes (net of refunds) were as follows:

	1995	1994	1993
Interest	$4,456	$4,792	$6,192
Income taxes	11,591	4,819	14,514

WARNER-LAMBERT COMPANY

Consolidated Statements Of Cash Flows

	Years Ended December 31,		
(Dollars in millions)	1995	1994	1993
Operating Activities:			
Net income	$ 739.5	$ 694.0	$ 331.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	201.9	181.4	170.4
Gain on sale of PRO toothbrush business	(117.0)	—	—
Minority interest	130.0	92.2	(.5)
Restructuring	—	—	525.2
Accounting changes, net of tax	—	—	(46.0)
Deferred income taxes	91.5	44.3	(129.6)
Changes in assets and liabilities, net of effects from acquisitions/dispositions of businesses:			
Receivables	(171.9)	(167.9)	(134.1)
Inventories	(20.0)	(140.6)	(70.3)
Accounts payable and accrued liabilities	(23.1)	(77.5)	(79.2)
Pension contributions	(34.0)	(22.1)	(100.0)
Other	2.3	41.2	(.2)
Net cash provided by operating activities	799.2	645.0	466.7
Investing Activities:			
Purchases of investments	(438.5)	(656.1)	(236.5)
Proceeds from sales of investments	340.8	415.7	166.2
Capital expenditures	(387.3)	(406.4)	(347.1)
Acquisitions of businesses	(34.3)	(66.3)	(429.0)
Proceeds from dispositions of businesses	136.1	—	83.4
Other	15.6	13.2	4.4
Net cash used by investing activities	(367.6)	(699.9)	(758.6)
Financing Activities:			
Proceeds from borrowings	1,828.6	762.7	627.6
Principal payments on borrowings	(1,766.6)	(527.6)	(192.1)
Purchases of treasury stock	(17.6)	(41.7)	(112.4)
Cash dividends paid	(351.1)	(327.2)	(307.9)
Distributions paid to minority interest	(96.5)	(79.4)	(.5)
Proceeds from exercise of stock options	61.2	43.1	14.5
Net cash (used) provided by financing activities	(342.0)	(170.1)	29.2
Effect of exchange rate changes on cash and cash equivalents	(11.7)	2.4	(15.2)
Net increase (decrease) in cash and cash equivalents	77.9	(222.6)	(277.9)
Cash and cash equivalents at beginning of year	217.9	440.5	718.4
Cash and cash equivalents at end of year	$ 295.8	$ 217.9	$ 440.5

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

Note 1 (In Part): Significant Accounting Policies

Cash Equivalents
Cash equivalents include nonequity short-term investments with original maturity dates of 90 days or less.

Note 2. Interest Income and Interest Expense

Interest income and interest expense are included in other (income) expense, net. Interest income totaled $49.7, $49.7 and $39.7 and interest expense totaled $122.7, $93.7 and $64.2 in 1995, 1994 and 1993, respectively. Total interest paid was $112.8, $86.2 and $65.4 in 1995, 1994 and 1993, respectively. Interest costs of $10.1, $9.4 and $8.6 in 1995, 1994 and 1993, respectively, have been capitalized and included in property, plant and equipment.

Note 15 (In Part): Income Taxes

Income taxes of $173.6, $186.1 and $155.0 were paid during 1995, 1994 and 1993, respectively. Prepaid expenses and other current assets included deferred income taxes of $168.2 and $173.9 at December 31, 1995 and 1994, respectively. Investments and other assets included deferred income taxes of $131.7 and $157.2 at December 31, 1995 and 1994, respectively.

Overdraft

HARMON INDUSTRIES, INC.

Consolidated Statements Of Cash Flows

(Dollars in thousands)	Years ended December 31, 1995	1994	1993
Cash flows from operating activities:			
Net earnings	$ 6,886	$ 7,639	$ 6,884
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,906	2,621	2,121
Gain on sale of property, plant and equipment	(34)	(6)	(7)
Deferred tax expense (benefit)	(119)	211	(453)
Changes in assets and liabilities, net of acquisition of businesses:			
Trade receivables	(3,860)	(3,046)	(5,880)
Inventories	(7,830)	(1,558)	(2,572)
Estimated costs, earnings and billings on contracts	(2,873)	(920)	(850)
Prepaid expenses	131	(109)	(70)
Accounts payable	2,376	2,588	1,579
Accrued payroll and benefits	(651)	1,506	2,107
Other liabilities	(478)	(1,423)	(43)
Other deferred liabilities	157	304	310
Discontinued operations	—	—	23
Total adjustments	(9,275)	168	(3,735)
Net cash provided by (used in) operating activities	(2,389)	7,807	3,149
Cash flows from investing activities:			
Capital expenditures	(5,532)	(3,242)	(3,189)
Acquisition of businesses	(1,182)	(6,661)	—
Proceeds from sale of property, plant and equipment	84	30	26
Deferred compensation contributions	(429)	(524)	(1,240)
Other investing activities	(974)	(37)	53
Net investing activities of discontinued operations	—	—	(339)
Net cash used in investing activities	(8,033)	(10,434)	(4,689)
Cash flows from financing activities:			
Proceeds from issuance of common stock	292	300	10,817
Cash dividends	(1,021)	(968)	—
Net borrowings under line of credit agreements	10,661	800	—
Principal payments of long-term debt	(436)	(320)	(6,655)
Bank overdraft	676	—	—
Net cash provided by (used in) financing activities	10,172	(188)	4,162
Net increase (decrease) in cash and cash equivalents	(250)	(2,815)	2,622
Cash and cash equivalents at beginning of year	250	3,065	443
Cash and cash equivalents at end of year	$ —	$ 250	$ 3,065
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 661	$ 265	$ 492
Income taxes	$ 4,167	$ 5,939	$ 3,865

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all investments purchased with a maturity of three months or less to be cash equivalents.

Escrow Balances Liquidated

SAVANNAH FOODS & INDUSTRIES, INC.

Consolidated Statements Of Cash Flows

(In thousands of dollars)	Oct. 1, 1995	Fiscal Period Ended Oct. 2, 1994	Oct. 3, 1993
Cash flows from operations:			
Net (loss) income	$ (3,493)	$ 5,743	$ 2,586
Adjustments to reconcile net (loss) income to net cash provided by operations:			
Depreciation and amortization	28,314	28,972	19,362
Cumulative effect of change in accounting principle	—	—	(600)
Provision for deferred income taxes	(207)	(5,283)	6,986
Net loss on disposal of assets	674	460	204
Changes in balance sheet accounts:			
Accounts receivable	8,785	11,254	(25,347)
Inventories	(17,781)	60,299	133,498
Other current assets	(6,952)	2,657	(1,092)
Trade accounts payable	6,306	(49,457)	(39,441)
Income taxes accrued	—	—	(17,593)
Accrued expenses related to beet operations	—	—	(22,884)
Other liabilities and accrued expenses	(777)	3,373	(1,951)
Other	1,122	1,431	1,547
Cash provided by operations	15,991	59,449	55,275
Cash flows from investing activities:			
Additions to property, plant and equipment	(16,303)	(22,218)	(35,120)
Proceeds from sale of property, plant and equipment	784	3,309	2,342
Use of escrow balances related to industrial revenue bonds for additions to property, plant and equipment	—	3,669	460
Liquidation (acquisition) of investments	3,615	18,559	(7,691)
Acquisition of businesses	(7,050)	—	(8,925)
Other	(2,182)	(2,930)	198
Cash (used for) provided by investing activities	(21,136)	389	(48,736)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	22,300	(26,300)	(3,700)
Increase in long-term debt	—	—	10,111
Payments of long-term debt	(28,703)	(2,632)	(1,337)
Liquidation of unused industrial revenue bond escrow balances	5,742	—	—
Dividends paid	(11,282)	(10,627)	(10,627)
Other	226	676	(1,484)
Cash used for financing activities	(11,717)	(38,883)	(7,037)
Cash flows for period	(16,862)	20,955	(498)
Cash and cash equivalents, beginning of period	28,436	7,481	7,979
Cash and cash equivalents, end of period	$ 11,574	$28,436	$ 7,481

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

Cash and cash equivalents include all investments purchased with an original maturity of 90 days or less which have virtually no risk of loss of value of the principal amount of the investment.

Note 6 (In Part): Long-Term Debt, Credit Arrangements and Leases

Interest expense was $14,847,000 in fiscal 1995, $13,380,000 in fiscal 1994, and $10,226,000 for the 39 week fiscal 1993 period. Cash payments of interest were $14,634,000 in fiscal 1995, $13,364,000 for fiscal 1994, and $9,377,000 for the 39 week fiscal 1993 period.

Note 7 (In Part): Income Taxes

Cash payments of income taxes amounted to $6,637,000, $7,504,000 and $11,834,000 for the fiscal periods ended October 1, 1995, October 2, 1994 and October 3, 1993, respectively.

Interest Rate Swap Payments

THE DIAL CORP.

Statement Of Consolidated Cash Flows

(000's omitted)	1995	Year ended December 31, 1994	1993
Cash Flows Provided (Used) by Operating Activities:			
Net income (loss)	$ (16,559)	$ 140,311	$ 120,485
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	114,936	109,861	100,160
Deferred income taxes	(41,265)	19,391	35,943
Extraordinary charge for early retirement of debt			21,908
Cumulative effect of change in accounting principle	17,696		
Restructuring charges and asset write-downs	191,100		
Income from discontinued operations			(32,120)
Other noncash items, net	686	6,411	24,071
Change in operating assets and liabilities:			
Receivables and inventories	38,766	(47,284)	(85,482)
Payment service assets and obligations, net	172,643	179,601	130,731
Accounts payable and accrued compensation	(38,080)	14,496	31,825
Other assets and liabilities, net	(83,330)	1,609	(37,689)
Net cash provided by operating activities	356,593	424,396	309,832
Cash Flows Provided (Used) by Investing Activities:			
Capital expenditures	(103,715)	(108,592)	(114,624)
Purchases of cruise ships previously leased	(111,103)		
Acquisitions of businesses and other assets, net of cash acquired	(117,361)	(152,271)	(216,787)
Proceeds from sales of property and equipment	20,540	8,403	19,442
Investments restricted for payment service obligations:			
Proceeds from sales and maturities of securities classified as available for sale	485,664	237,972	
Proceeds from sales and maturities of securities classified as held to maturity	22,201		
Proceeds from sales and maturities of investments			626,527
Purchases of securities classified as available for sale	(577,884)	(341,716)	
Purchases of securities classified as held to maturity	(103,553)	(105,023)	
Purchases of investments			(767,035)
Proceeds from sale of shares of MCII			245,700
Advances from discontinued operations			35,084
Other, net	(317)	(190)	(288)
Net cash used by investing activities	(485,528)	(461,417)	(171,981)
Cash Flows Provided (Used) by Financing Activities:			
Proceeds from long-term borrowings	40,000	70,000	229,358
Payments on long-term borrowings	(2,805)	(2,238)	(196,611)
Extraordinary charge for early retirement of debt			(21,908)
Net change in short-term borrowings classified primarily as long-term debt	100,689	42,233	(105,338)
Dividends on common and preferred stock	(55,024)	(51,401)	(48,345)
Minority portion of subsidiary's special dividend		(9,761)	
Proceeds from sales of treasury stock	32,062	28,546	43,286
Common stock purchased for treasury			(38,642)
Net change in receivables sold	22,507		
Cash payments on interest rate swaps	(18,346)	(17,795)	(32,909)
Net cash provided (used) by financing activities	119,083	59,584	(171,109)
Net (decrease) increase in cash and cash equivalents	(9,852)	22,563	(33,258)
Cash and cash equivalents, beginning of year	33,222	10,659	43,917
Cash and Cash Equivalents, End of Year	$ 23,370	$ 33,222	$ 10,659

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Cash Equivalents
Dial considers all highly liquid investments with original maturities of three months or less from date of purchase as cash equivalents.

I (In Part): Debt

Interest paid in 1995, 1994 and 1993 was approximately $67,416,000, $53,524,000 and $55,807,000, respectively.

L (In Part): Income Taxes

Income taxes paid in 1995, 1994 and 1993 amounted to $23,652,000, $62,127,000 and $12,206,000, respectively.

Insurance Policy Borrowings

H.J. HEINZ COMPANY

Consolidated Statements Of Cash Flows

	Fiscal Year Ended		
(Dollars in thousands)	May 3, 1995	April 27, 1994	April 28, 1993
Operating Activities:			
Net income	$ 591,025	$ 602,944	$ 396,313
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	238,229	200,035	185,962
Amortization	77,038	59,774	48,973
Deferred tax provision	134,304	106,803	(75,263)
Gain on sale of confectionery and specialty rice businesses	—	(127,001)	—
Provision for restructuring	—	—	179,328
Cumulative effect of FAS No. 106 adoption	—	—	133,630
Other items, net	(43,680)	(55,767)	(44,479)
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	(77,039)	135,195	(137,499)
Inventories	(87,580)	9,742	(114,347)
Prepaid expenses and other current assets	(27,634)	14,688	(47,433)
Accounts payable	111,361	67,660	15,038
Accrued liabilities	(72,644)	(110,822)	(5,854)
Income taxes	(90,874)	27,954	(122,471)
Cash provided by operating activities	752,506	931,205	411,898
Investing Activities:			
Capital expenditures	(341,788)	(275,052)	(430,713)
Acquisitions, net of cash acquired	(1,178,819)	(95,685)	(370,189)
Proceeds from divestitures	52,497	265,573	1,872
Purchases of short-term investments	(1,808,327)	(598,486)	(116,153)
Sales and maturities of short-term investments	1,800,992	680,208	129,462
Investment in tax benefits	14,436	1,400	(37,226)
Other items, net	(12,819)	(5,377)	(6,872)
Cash (used for) investing activities	(1,473,828)	(27,419)	(829,819)
Financing Activities:			
Proceeds from long-term debt	573,689	991	969,394
Payments on long-term debt	(10,209)	(18,249)	(240,246)
Proceeds from (payments on) short-term debt, net	630,310	(398,333)	11,730
Dividends	(345,422)	(325,958)	(297,087)
Purchase of treasury stock	(273,671)	(222,582)	(148,511)
Proceeds from minority interest	95,400	—	—
Proceeds from borrowings against insurance policies	70,931	134,162	—
Repayments of borrowings against insurance policies	(68,898)	(65,264)	—
Exercise of stock options	44,263	22,645	72,043
Other items, net	17,014	11,042	37,920
Cash provided by (used for) financing activities	733,407	(861,546)	405,243
Effect of exchange rate changes on cash and cash equivalents	13,717	(12,136)	(11,597)
Net increase (decrease) in cash and cash equivalents	25,802	30,104	(24,275)
Cash and cash equivalents at beginning of year	98,536	68,432	92,707
Cash and cash equivalents at end of year	$ 124,338	$ 98,536	$ 68,432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

8. Supplemental Cash Flows Information

(Dollars in thousands)	1995	1994	1993
Cash Paid During the Year for:			
Interest	$ 210,610	$146,951	$134,179
Income taxes	251,338	153,000	347,701
Details of Acquisitions:			
Fair value of assets	$1,359,028	$102,382	$478,240
Liabilities	179,942	6,697	106,893
Cash paid	1,179,086	95,685	371,347
Less cash acquired	267	—	1,158
Net cash paid for acquisitions	$1,178,819	$95,685	$370,189

Equipment Purchase Contract Payments

MICRON TECHNOLOGY, INC.

Consolidated Statements Of Cash Flows

	Fiscal Year Ended		
(Dollars in millions)	Aug. 31, 1995	Sept. 1, 1994	Sept. 2, 1993
Cash flows of operating activities			
Net income	$ 844.1	$ 400.5	$ 104.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	199.0	138.8	111.9
Increase in receivables	(197.9)	(81.0)	(76.7)
Increase in inventories	(76.0)	(17.9)	(8.7)
Increase in accounts payable and accrued expenses	249.4	45.2	96.2
Gain from merger transaction	(29.0)	—	—
Other	49.2	71.9	30.5
Net cash provided by operating activities	1,038.8	557.5	257.3
Cash flows of investing activities			
Purchase of available-for-sale and held-to-maturity securities	(719.6)	(403.6)	(218.0)
Proceeds from sales and maturities of securities	651.8	185.3	114.7
Expenditures for property, plant, and equipment	(730.0)	(251.0)	(83.4)
Other	27.2	(10.5)	(1.8)
Net cash used for investing activities	(770.6)	(479.8)	(188.5)
Cash flows of financing activities			
Payments on equipment purchase contracts	(202.5)	(119.3)	(63.0)
Proceeds from issuance of debt	62.4	119.2	41.7
Repayments of debt	(63.4)	(46.2)	(52.8)
Proceeds from issuance of common stock	18.4	12.1	19.3
Payments of dividends	(30.8)	(12.2)	(1.9)
Other	(2.6)	(0.4)	(0.3)
Net cash used for financing activities	(218.5)	(46.8)	(57.0)
Net increase in cash and equivalents	49.7	30.9	11.8
Cash and equivalents at beginning of year	78.4	47.5	35.7
Cash and equivalents at end of year	$ 128.1	$ 78.4	$ 47.5
Supplemental disclosures			
Income taxes paid, net	$ (438.6)	$ (197.4)	$ (22.1)
Interest paid	(9.5)	(6.6)	(6.1)
Noncash investing and financing activities:			
Equipment acquisitions on contracts payable and capital leases	230.8	125.6	71.0
Equipment acquisition in exchange for license of product and process technology	—	—	8.4
Assets acquired, net of cash and liabilities assumed in merger transaction	26.0	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Financial Instruments

Cash equivalents include highly liquid short-term investments with original maturities of three months or less, readily convertible to known amounts of cash. The amounts reported as cash and equivalents, liquid investments, receivables, other assets, accounts payable and accrued expenses, and equipment purchase contracts and long-term debt are considered to be reasonable approximations of their fair values. The fair value estimates presented herein were based on market information available to management as of August 31, 1995. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. The reported fair values do not take into consideration potential expenses that would be incurred in an actual settlement.

Redemption Of Subsidiary Preferred Stock

ILLINOIS TOOL WORKS, INC.

Statement Of Cash Flows

(In thousands)	For the Years Ended December 31 1995	1994	1993
Cash Provided by (Used for) Operating Activities:			
Net income	$387,608	$277,783	$206,570
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	151,931	132,149	131,726
Change in deferred income taxes	(23,870)	(31,686)	(13,332)
Provision for uncollectible accounts	6,889	7,191	8,233
(Gain) loss on sale of plant and equipment	2,539	(261)	2,932
Income from investments	(20,687)	—	—
(Gain) loss on sale of operations and affiliates	(692)	(379)	894
Other non-cash items, net	11,735	10,117	3,860
Cash provided by operating activities	515,453	394,914	340,883
Change in assets and liabilities:			
(Increase) decrease in–			
Trade receivables	(27,869)	(81,180)	(35,029)
Inventories	(22,830)	(8,053)	23,191
Prepaid expenses and other assets	(11,636)	9,515	(8,109)
Increase (decrease) in			
Accounts payable	(20,020)	11,718	(3,569)
Accrued expenses	2,061	45,839	(2,954)
Income taxes payable	(11,764)	10,424	(4,079)
Other, net	14,077	4,280	3,741
Net cash provided by operating activities	437,472	387,457	314,075
Cash Provided by (Used for) Investing Activities:			
Acquisition of business (excluding cash and equivalents) and additional interest in affiliates	(212,426)	(43,365)	(303,802)
Additions to plant and equipment	(150,176)	(131,055)	(119,931)
Purchase of investments	(126,300)	—	—
Proceeds from investments	34,006	—	—
Proceeds from sale of plant and equipment	13,500	17,344	14,174
Proceeds from sale of operations and affiliates	4,650	15,721	1,705
Other, net	11,996	(818)	14,271
Net cash used for investing activities	(424,750)	(142,173)	(393,583)
Cash Provided by (Used for) Financing Activities:			
Cash dividends paid	(71,783)	(61,162)	(55,175)
Issuance of common stock	7,598	3,216	8,316
Net proceeds (repayments) of short-term debt	137,134	(149,103)	20,906
Proceeds from long-term debt	1,152	1,885	128,119
Repayments of long-term debt	(2,199)	(4,949)	(15,939)
Redemption of preferred stock of subsidiary	(40,000)	—	—
Other, net	(7,919)	—	—
Net cash provided by (used for) financing activities	23,983	(210,113)	86,227
Effect of Exchange Rate Changes on Cash and Equivalents	3,028	6,301	(2,517)
Cash and Equivalents:			
Increase during the year	39,733	41,472	4,202
Beginning of year	76,867	35,395	31,193
End of year	$116,000	$ 76,867	$ 35,395
Cash Paid During the Year for Interest	$ 31,595	$ 27,257	$ 33,052
Cash Paid During the Year for Income Taxes	$264,683	$194,460	$139,344
Liabilities Assumed from Acquisitions	$185,705	$ 28,438	$ 90,848

NOTES TO FINANCIAL STATEMENTS

Cash and Equivalents

Cash and equivalents included interest-bearing deposits of $40,021,000 at December 31, 1995 and $18,702,000 at December 31, 1994. Interest-bearing deposits have maturities of 90 days or less and are stated at cost, which approximates market.

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. An example of reporting foreign currency cash flows follows.

THE QUAKER OATS COMPANY

Consolidated Statements Of Cash Flows

	Year Ended June 30		
(Dollars in millions)	1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$ 802.0	$ 231.5	$ 171.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting changes	4.1	—	115.5
Depreciation and amortization	191.4	171.2	156.9
Deferred income taxes	17.8	(7.7)	(46.4)
Gains on divestitures—net of tax of $476.2 in 1995	(694.6)	(9.8)	(27.8)
Restructuring charges	76.5	118.4	48.3
Loss on disposition of property and equipment	22.0	15.0	23.8
(Increase) decrease in trade accounts receivable	(70.8)	(77.7)	59.1
(Increase) decrease in inventories	(56.5)	(67.6)	41.9
(Increase) in other current assets	(53.4)	(56.3)	(25.8)
Increase (decrease) in trade accounts payable	83.9	44.1	(7.6)
Increase (decrease) in other current liabilities	52.1	6.6	(6.4)
Change in deferred compensation	17.2	15.6	11.0
Other items	83.8	67.5	44.4
Net Cash Provided by Operating Activities	475.5	450.8	558.2
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(275.5)	(175.1)	(172.3)
Business acquisitions	(1,876.5)	(96.3)	(40.4)
Business divestitures—net of tax of $476.2 in 1995	1,253.4	14.2	41.6
Change in other assets	(4.0)	(6.4)	(25.6)
Net Cash Used in Investing Activities	(902.6)	(263.6)	(196.7)
Cash Flows from Financing Activities:			
Cash dividends	(154.8)	(144.6)	(140.3)
Change in short-term debt	216.4	83.3	67.0
Proceeds from long-term debt	213.3	222.2	0.5
Reduction of long-term debt	(89.3)	(100.6)	(59.0)
Proceeds from short-term debt to be refinanced	188.0	—	—
Issuance of common treasury stock	23.0	11.8	23.3
Repurchases of common stock	(22.5)	(214.9)	(323.1)
Repurchases of preferred stock	(2.4)	(1.2)	(1.1)
Net Cash Provided by (Used) in Financing Activities	371.7	(144.0)	(432.7)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	16.8	36.2	37.0
Net (Decrease) Increase in Cash and Cash Equivalents	(38.6)	79.4	(34.2)
Cash and Cash Equivalents—Beginning of Year	140.4	61.0	95.2
Cash and Cash Equivalents—End of Year	$ 101.8	$ 140.4	$ 61.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Cash and Cash Equivalents

Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less. As a result of the Company's cash management system, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are included in trade accounts payable and amounted to $102.6 million, $53.0 million and $45.9 million as of June 30, 1995, 1994 and 1993, respectively.

Note 15. Interest Expense

(Dollars in millions)	1995	1994	1993
Interest expense	$119.0	$99.9	$66.1
Interest expense capitalized—net	(2.0)	(1.3)	(0.5)
Subtotal	117.0	98.6	65.6
Interest income	(6.3)	(8.9)	(10.5)
Interest expense—net	$110.7	$89.7	$55.1

Interest paid in fiscal 1995, 1994 and 1993 was $115.9 million, $72.0 million and $74.3 million, respectively.

Note 16 (In Part): Income Taxes

Included in other current assets were deferred tax assets of $128.4 million, $91.0 million and $52.3 million as of June 30, 1995, 1994 and 1993, respectively. Income taxes paid in fiscal 1995, 1994 and 1993 were $367.1 million, $163.9 million and $213.3 million, 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.

ACCLAIM ENTERTAINMENT, INC.

Statements Of Consolidated Cash Flows

(In 000s)	Fiscal Year Ended August 31, 1995	1994	1993
Cash flows provided by (used in) operating activities:			
Cash received from customers	$ 570,698	$ 470,396	$ 299,517
Cash paid to suppliers and employees	(550,629)	(409,767)	(276,743)
Interest received	2,131	1,338	1,078
Interest paid	(7,339)	(2,649)	(2,470)
Income taxes paid	(22,127)	(30,236)	(16,974)
Net cash (used in) provided by operating activities	(7,266)	29,082	4,408
Cash flows provided by (used in) investing activities:			
Acquisition of subsidiaries, net	1,743	(47,805)	—
Investment in marketable securities	—	(10,375)	—
Sales of marketable securities	57,160	8,314	—
Acquisition of fixed assets, excluding capital leases	(29,862)	(10,195)	(2,308)
Disposal of fixed assets	284	15	—
Acquisition of other assets	(2,919)	(2,954)	(148)
Net cash provided by (used in) investing activities	26,406	(63,000)	(2,456)
Cash flows provided by (used in) financing activities:			
Proceeds from term loan	—	40,000	—
Proceeds from short-term bank loans	11,304	14,278	51,034
Payment of short-term bank loans	(8,769)	(20,313)	(44,159)
Payment of mortgage	(1,342)	(87)	(87)
Exercise of stock options	4,183	7,458	6,747
Payment of obligation under capital leases	(292)	(156)	(446)
Issuance of common stock	1,398	—	—
Payment of long-term debt	(16,046)	—	—
Net cash (used in) provided by financing activities	(9,564)	41,180	13,089
Effect of exchange rate changes on cash	497	1,669	(2,982)
Net increase in cash	10,073	8,931	12,059
Cash at beginning of year	34,676	25,745	13,686
Cash at end of year	$ 44,749	$ 34,676	$ 25,745

	Fiscal Year Ended August 31,		
(In 000s)	1995	1994	1993
Reconciliation of net earnings to net cash provided by (used in) operating activities:			
Net earnings	$44,770	$45,055	$28,185
Adjustment to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,543	3,838	3,227
(Gain) loss on investment in marketable securities	(5,968)	135	—
(Decrease) increase in allowance for returns and discounts	(18,747)	10,748	12,080
Deferred taxes	8,610	(3,571)	(4,037)
Minority interest in net earnings of consolidated subsidiary	(121)	—	(75)
Other non-cash charges	1,752	32	17
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	9,713	(69,982)	(53,081)
Decrease (increase) in inventories	1,298	8,643	(14,114)
(Increase) in prepaid expenses	(17,345)	(3,446)	(9,073)
(Increase) decrease in other current assets	(8,813)	2,111	8
Decrease in advance payment to suppliers	—	2,492	2,277
(Decrease) increase in trade accounts payable	(23,031)	10,940	25,938
Increase in accrued expenses	580	13,147	13,889
(Decrease) increase in income taxes payable	(9,507)	8,940	(833)
Total adjustments	(52,036)	(15,793)	(23,777)
Net cash (used in) provided by operating activities	$(7,266)	$29,082	$ 4,408

Supplemental schedule of noncash investing and financing activities:

In fiscal 1995, the Company purchased all of the capital stock of Iguana Entertainment, Inc. for $5,513, net of cash received. In connection with the acquisition, liabilities assumed were as follows:

Fair value of assets acquired	$ 9,179
Cash paid for the capital stock	(5,513)
Liabilities assumed	$ 3,666

In fiscal 1995, the Company issued 4,349 shares of its common stock, valued at $71,472, in exchange for 3,403 shares of Tele-Communications, Inc. Class A common stock.

In fiscal 1994, the Company purchased all of the capital stock of Acclaim Comics for $62,805, net of cash received. In connection with the acquisition, liabilities assumed were as follows:

Fair value of assets acquired	$ 67,478
Cash paid for the capital stock	(50,588)
Fair market value of common stock issued	(15,000)
Liabilities assumed	$ 1,890

ADVANCED MICRO DEVICES, INC.

Consolidated Statements Of Cash Flows

	Years Ended December 31,		
(Thousands)	1995	1994	1993
Cash flows from operating activities:			
Net income	$ 300,521	$ 305,266	$ 228,781
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	262,501	215,984	175,275
Accrual for litigation settlement	—	58,000	—
Net (gain) loss on sale of property, plant, and equipment	2,152	276	(2,943)
Write-down of property, plant, and equipment	611	2,230	366
Gain realized on sale of available-for-sale securities	(2,707)	—	—
Compensation recognized under employee stock plans	2,483	1,971	1,313
Undistributed (income) loss of joint venture	(34,926)	10,585	634
Changes in operating assets and liabilities:			
Net increase in receivables, inventories, prepaid expenses, and other assets	(2,606)	(114,566)	(57,269)
Payment of litigation settlement	(58,000)	—	—
Net (increase) decrease in deferred income taxes	41,607	(21,072)	(27,021)
Increase in income tax payable	11,772	61,910	70,502
Net increase in payables and accrued liabilities	88,490	52,589	69,750
Net cash provided by operating activities	611,898	573,173	459,388
Cash flows from investing activities:			
Purchase of property, plant, and equipment	(620,815)	(548,742)	(323,669)
Proceeds from sale of property, plant, and equipment	4,834	2,058	4,648
Purchase of available-for-sale securities	(678,071)	(36,700)	—
Proceeds from sale of available-for-sale securities	603,772	—	—
Purchase of held-to-maturity debt securities	(648,012)	(1,245,167)	(715,487)
Proceeds from maturities of held-to-maturity debt securities	642,229	1,416,431	566,773
Investment in joint venture	(18,019)	(139,175)	(3,160)
Net cash used in investing activities	(714,082)	(551,295)	(470,895)
Cash flows from financing activities:			
Proceeds from borrowings	236,982	42,025	10,238
Payments on capital lease obligations and other debt	(125,614)	(68,898)	(22,386)
Proceeds from issuance of stock	23,073	39,565	42,401
Redemption of preferred stock and stockholder rights	(3,536)	—	—
Payments of preferred stock dividends	(10)	(10,350)	(10,350)
Net cash provided by financing activities	130,895	2,342	19,903
Net increase in cash and cash equivalents	28,711	24,220	8,396
Cash and cash equivalents at beginning of year	84,643	60,423	52,027
Cash and cash equivalents at end of year	$ 113,354	$ 84,643	$ 60,423
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ —	$ 977	$ 2,123
Income taxes	$ 60,329	$ 111,704	$ 44,433
Non-cash financing activities:			
Equipment capital leases	$ 24,422	$ 34,202	$ 64,512
Conversion of preferred stock to common stock	$ 164,127	$ —	$ —

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements Of Cash Flows

(Thousands)	53 Weeks Ended Feb. 3, 1996	53 Weeks Ended Jan. 28, 1995	53 Weeks Ended Jan. 29, 1994
Cash flows from operating activities:			
Net income	$ 74,553	$ 187,616	$ 193,248
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	444,830	260,485	207,914
Amortization of intangible assets	47,451	22,662	18,762
Amortization of financing costs	21,702	11,468	10,163
Amortization of original issue discount	1,202	29,435	16,846
Amortization of unearned restricted stock	4,630	2,714	3,105
Loss on early extinguishment of debt	—	—	3,545
Changes in assets and liabilities, net of effects of acquisition of companies:			
Increase in accounts receivable	(21,098)	(310,934)	(215,101)
(Increase) decrease in merchandise inventories	(361,991)	28,620	(31,910)
(Increase) decrease in supplies and prepaid expenses	(67,745)	2,450	(6,592)
Decrease in other assets not separately identified	61,483	2,697	20,229
Increase (decrease) in accounts payable and accrued liabilities not separately identified	(83,220)	(124,662)	70,679
Increase (decrease) in current income taxes	(45,437)	61,149	65,990
Increase (decrease) in deferred income taxes	192,079	(12,057)	54,917
Increase (decrease) in other liabilities not separately identified	26,068	(184)	(1,291)
Net cash provided by operating activities	294,507	161,459	410,504
Cash flows from investing activities:			
Acquisition of companies net of cash acquired	16,262	(575,408)	(109,325)
Purchase of property and equipment	(696,488)	(386,847)	(309,536)
Disposition of property and equipment	46,992	8,723	1,097
Decrease in notes receivable	—	—	12,636
Net cash used by investing activities	(633,234)	(953,532)	(405,128)
Cash flows from financing activities:			
Debt issued	1,347,106	2,526,861	—
Financing costs	(27,236)	(66,602)	(633)
Debt repaid	(1,020,117)	(1,594,136)	(391,986)
Increase (decrease) in outstanding checks	(9,647)	(95,010)	35,776
Acquisition of treasury stock	(1,006)	(354)	(179)
Issuance of common stock	15,655	5,376	7,090
Net cash provided (used) by financing activities	304,755	776,135	(349,932)
Net decrease in cash	(33,972)	(15,938)	(344,556)
Cash beginning of period	206,490	222,428	566,984
Cash end of period	$ 172,518	$ 206,490	$ 222,428
Supplemental cash flow information:			
Interest paid	$ 444,398	$ 211,457	$ 186,658
Interest received	46,445	44,675	50,019
Income taxes paid (net of refunds received)	35,103	93,647	49,588
Schedule of noncash investing and financing activities:			
Capital lease obligations for new store fixtures	2,818	10,817	3,424
Common stock issued for the Executive Deferred Compensation Plan	2,501	2,070	686
Debt and merger related liabilities issued, reinstated or assumed in acquisition	1,267,074	1,414,969	340,000
Equity issued in acquisition	352,902	1,166,014	—
Debt and equity issued for purchase of debt	429,665	—	—

INLAND STEEL INDUSTRIES, INC.

Consolidated Statement Of Cash Flows

	Years Ended December 31		
(Dollars in millions)	1995	1994	1993
Operating Activities			
Net income (loss)	$ 146.8	$ 107.4	$ (37.6)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:			
Depreciation	143.1	138.7	131.8
Deferred income taxes	79.2	52.9	(36.8)
Deferred employee benefit cost	(23.5)	52.2	38.1
Stock issued for coverage of employee benefit plans	23.9	35.0	19.1
Facility shutdown provision	—	—	18.9
Change in: Receivables	15.1	(76.3)	(46.4)
Inventories	(31.5)	(52.6)	(4.2)
Accounts payable	(34.8)	52.0	34.0
Accrued salaries and wages	(.4)	12.1	1.6
Other accrued liabilities	29.6	(20.8)	4.9
Other deferred items	(17.3)	(35.1)	(11.4)
Net adjustments	183.4	158.1	149.6
Net cash provided from operating activities	330.2	265.5	112.0
Investing Activities			
Capital expenditures	(134.6)	(182.0)	(105.6)
Investments in and advances to joint ventures, net	16.4	13.7	(1.9)
Proceeds from sales of assets	3.6	8.4	6.5
Net cash used for investing activities	(114.6)	(159.9)	(101.0)
Financing Activities			
Sale of common stock	—	—	178.7
Long-term debt issued	16.8	19.7	46.8
Long-term debt retired	(36.5)	(232.5)	(78.5)
Dividends paid	(31.6)	(32.2)	(35.7)
Acquisition of treasury stock	(4.0)	(4.0)	(9.5)
Net cash provided from (used for) financing activities	(55.3)	(249.0)	101.8
Net increase (decrease) in cash and cash equivalents	160.3	(143.4)	112.8
Cash and cash equivalents—beginning of year	107.1	250.5	137.7
Cash and cash equivalents—end of year	$ 267.4	$ 107.1	$ 250.5
Supplemental Disclosures			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 65.4	$ 73.5	$ 76.0
Income taxes, net	9.4	8.3	1.9
Non-cash activities:			
Reduction of deferred employee benefits resulting from contribution of common stock to the Company's Pension Trust	100.0	—	—
Series F Preferred Stock exchanged for Subordinated Voting Note	185.0	—	—
Long-term debt acquired in purchase of assets	—	63.3	—

SUMMARY OF ACCOUNTING AND FINANCIAL POLICIES

Cash Equivalents

Cash equivalents reflected in the Statement of Cash Flows are highly liquid, short-term investments with maturities of three months or less that are an integral part of the Company's cash management portfolio.

LEGGETT & PLATT, INCORPORATED

Consolidated Statements Of Cash Flows

	Year ended December 31		
(Dollars in millions)	1995	1994	1993
Operating Activities			
Net earnings	$ 134.9	$ 115.4	$ 85.9
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation	58.0	48.8	39.1
Amortization	9.1	8.1	6.2
Deferred income tax (benefit) expense	(.6)	(6.6)	8.6
Other	(.2)	2.0	(.9)
Other changes, net of effects from purchase of companies			
Decrease (increase) in accounts receivable, net	11.4	(29.1)	(9.2)
Increase in inventories	(14.8)	(22.2)	(4.4)
Increase in other current assets	(.7)	(4.9)	(2.9)
Increase in current liabilities	6.1	61.5	23.3
Net Cash Provided by Operating Activities	203.2	173.0	145.7
Investing Activities			
Additions to property, plant and equipment	(93.9)	(88.5)	(54.2)
Purchases of companies, net of cash acquired	(28.7)	(78.8)	(78.0)
Other	(.6)	.7	2.8
Net Cash Used for Investing Activities	(123.2)	(166.6)	(129.4)
Financing Activities			
Additions to debt	62.5	49.1	58.1
Payments on debt	(83.2)	(29.6)	(57.8)
Dividends paid	(31.9)	(25.4)	(21.1)
Sales of common stock	3.0	2.2	1.6
Purchases of common stock	(24.5)	(1.1)	(.1)
Other	(1.9)	.7	(1.8)
Net Cash Used for Financing Activities	(76.0)	(4.1)	(21.1)
Increase (Decrease) in Cash and Cash Equivalents	4.0	2.3	(4.8)
Cash and Cash Equivalents—Beginning of Year	2.7	.4	5.2
Cash and Cash Equivalents—End of Year	$ 6.7	$ 2.7	$ .4
Supplemental Information			
Interest paid	$ 11.0	$ 9.2	$ 16.7
Income taxes paid	87.4	68.1	45.3
Liabilities assumed of acquired companies	20.2	40.4	21.8
Common stock issued for acquired companies	8.2	13.8	2.0
Stock issued for employee stock plans	17.4	8.2	6.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Cash Equivalents

Cash equivalents include cash in excess of daily requirements which is invested in various financial instruments with original maturities of three months or less.

SPS TECHNOLOGIES, INC.

Statements Of Consolidated Cash Flows

	Years ended December 31		
(Thousands of dollars)	1995	1994	1993
Cash Flows from Operating Activities			
Net earnings (loss)	$ 14,875	$ 3,200	$ (30,995)
Reconciliation of net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	14,730	13,063	14,484
Equity in undistributed earnings of affiliates	(1,701)	(1,726)	(563)
Net (gain) loss on sale of property, plant and equipment	541	(3,374)	40
Deferred income taxes	3,319	420	(1,812)
Restructuring charge, net		3,500	32,400
Cash used for restructuring activities	(550)	(6,700)	(14,892)
Other operating items	564	199	43
Changes in assets and liabilities, net of acquisitions of businesses:			
Receivables	(1,738)	(6,311)	2,204
Inventories	(4,952)	1,984	558
Prepaid expenses	109	(179)	871
Accounts payable	(811)	8,123	(851)
Accrued expenses	(31)	2,782	(2,618)
Income taxes payable	528	523	(282)
Other assets and liabilities, net	2,125	(825)	2,344
Net cash provided by operating activities	27,008	14,679	931
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(21,480)	(17,615)	(12,248)
Proceeds from sale of property, plant and equipment	4,240	13,333	302
Acquisitions of businesses	(11,293)		
Proceeds from divestitures of businesses	705	2,128	2,500
Other, net		708	
Net cash used by investing activities	(27,828)	(1,446)	(9,446)
Cash Flows from Financing Activities			
Proceeds from borrowings	22,955	14,560	38,200
Reduction of borrowings	(25,359)	(38,291)	(18,988)
Proceeds from rights offering		12,185	
Payments of cash dividends			(6,535)
Proceeds from exercise of stock options	1,843	405	29
Net cash provided (used) by financing activities	(561)	(11,141)	12,706
Effect of exchange rate changes on cash	2	528	(218)
Net increase (decrease) in cash and cash equivalents	(1,379)	2,620	3,973
Cash and cash equivalents at beginning of year	9,472	6,852	2,879
Cash and cash equivalents at end of year	$ 8,093	$ 9,472	$ 6,852
Supplemental Cash Flow Disclosures			
Interest paid	$ 6,134	$ 6,911	$ 5,918
Income taxes paid (refunded), net	2,449	1,700	(326)
Significant Noncash Investing Activity			
Issuance of treasury shares for business acquired	5,667		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents

The Company considers cash equivalents to be all highly liquid investments purchased with original maturities of three months or less. The carrying amount approximates fair value because of the short maturity of these items.

THORN APPLE VALLEY, INC.

Consolidated Statements Of Cash Flows

	Fiscal years ended		
	May 26, 1995	May 27, 1994	May 28, 1993
Cash flows from operating activities:			
Net income	$ 5,254,886	$14,083,373	$13,862,567
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,830,100	8,262,515	7,379,378
Restructuring charge	6,915,646		
Deferred income taxes	353,000	656,000	(780,000)
(Gain) loss on disposition of property, plant and equipment	(15,451)	(813)	26,601
Provision for losses on accounts receivable	57,300	(100,500)	61,800
(Increase) decrease in assets:			
Accounts receivable	4,049,338	(6,800,467)	(1,814,851)
Inventories	(1,020,608)	(5,610,119)	1,866,585
Refundable income taxes	(1,366,231)	528,574	(528,574)
Prepaid expenses and other assets	(2,425,749)	(82,919)	(264,580)
Increase (decrease) in liabilities:			
Accounts payable	(1,496,234)	7,289,671	1,784,084
Accrued liabilities	2,094,826	3,452,205	862,163
Income taxes	(526,722)	526,722	(392,575)
Total adjustments	16,449,215	8,120,869	8,200,031
Net cash provided by operating activities	21,704,101	22,204,242	22,062,598
Cash flows from investing activities:			
Purchase of short-term investments		(300,000)	
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	412,926	2,311,269	461,305
Capital expenditures	(43,367,769)	(30,197,956)	(19,197,032)
Net cash used in investing activities	(42,954,843)	(28,166,687)	(19,599,727)
Cash flows from financing activities:			
Proceeds from long-term debt	8,000,000	20,500,000	
Proceeds from stock options exercised including related tax benefits	2,171,888	133,989	744,133
Principal payments on long-term debt	(2,008,117)	(1,940,256)	(8,161,804)
Purchase and retirement of common stock	(3,390,704)	(2,772,445)	
Net borrowings under lines of credits	5,960,000		
Net borrowings from (payments to) officers	(582,788)	387,406	885,800
Dividends paid	(1,610,575)	(1,584,003)	(1,179,638)
Payments in lieu of fractional shares			(3,861)
Net cash provided by (used in) financing activities	8,539,704	14,724,691	(7,715,370)
Net increase (decrease) in cash	(12,711,038)	8,762,246	(5,252,499)
Cash and cash equivalents, beginning of year	17,441,675	8,679,429	13,931,928
Cash and cash equivalents, end of year	$ 4,730,637	$17,441,675	$ 8,679,429
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 4,003,000	$ 2,336,000	$ 2,421,000
Income taxes	$ 3,991,000	$ 6,207,000	$ 8,891,000
Noncash investing activities:			
Capital lease obligations	$ 2,935,020	$ 895,578	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less at the date of acquisition.

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

	1995	1994	1993	1992
Cash and cash equivalents	443	431	416	415
Cash and equivalents	43	46	44	45
Cash	62	63	77	73
Cash and short-term investments	27	29	31	37
Cash and short-term cash investments	2	3	3	3
Cash and temporary cash investments	5	7	9	9
Cash and temporary investments	6	7	5	5
Cash and marketable securities	3	4	5	4
Other descriptive captions	9	10	10	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-eight 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

	1995	1994	1993	1992
Follows financial statements and notes	385	386	392	393
Precedes financial statements and notes	200	197	193	189
Between financial statements and notes	9	10	9	13
Other	6	7	6	5
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.* 300 titles identified the auditors as auditors, 174 as accountants, 101 as public accountants, and 22 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' REPORTS

	1995	1994	1993	1992
Board of Directors and Stockholders	484	483	484	477
Stockholders	56	56	54	57
Board of Directors	41	41	40	46
Company	13	16	19	17
Other or no addressee	6	4	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.

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.

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

To the Board of Directors and Shareholders
Textron Inc.

We have audited the accompanying consolidated balance sheets of Textron Inc. as of December 30, 1995 and December 31, 1994, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 30, 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 Textron Inc. at December 30, 1995 and December 31, 1994 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 30, 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 auditors' report for 25 survey companies made reference to the report of other auditors. Examples of such reports, including the example in paragraph 13 of *SAS No. 58,* 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.

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, 1995 and 1994, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended November 30, 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 did not audit the financial statements of Gifford-Hill-American, Inc. as of November 30, 1995, 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 income represents 8 percent of consolidated net income for 1995. 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 Gifford-Hill-American, Inc., is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameron,Inc. and subsidiaries as of November 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1995, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders of
Ceridian Corporation:

We have audited the accompanying consolidated balance sheets of Ceridian Corporation and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations and cash flows for each of the years in the three-year period ended December 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Comdata Holdings Corporation, a wholly-owned subsidiary, which statements reflect total assets constituting 29 percent and 28 percent at December 31, 1995 and 1994, respectively, and total revenues constituting 21 percent, 21 percent and 19 percent in 1995, 1994 and 1993, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Comdata Holdings Corporation, 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 the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ceridian Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Optical Coating Laboratory,Inc.
Santa Rosa, California

We have audited the accompanying consolidated balance sheets of Optical Coating Laboratory, Inc. and subsidiaries (the Company) as of October 31, 1995 and 1994, and the related consolidated statements of operations, common stockholders' equity and cash flows for each of the three years in the period ended October 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 did not audit the financial statements of Flex Products, Inc., which became a consolidated subsidiary effective May 1, 1995 and whose assets represent 19% of consolidated assets at October 31, 1995 and whose revenues for the period from May 1, 1995 to October 31, 1995 represent 9% of consolidated revenues for the year ended October 31, 1995. The financial statements of Flex Products, Inc. as of and for the ten months ended October 31, 1995, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Flex Products, Inc., is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Optical Coating Laboratory,Inc. and its subsidiaries at October 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1995 in conformity with generally accepted accounting principles.

UNCERTAINTIES

Effective for auditors' reports issued or reissued on or after February 29, 1996, *Statement on Auditing Standards No. 79* amends *SAS No. 58* to eliminate the requirement for an uncertainties explanatory paragraph for uncertainties as defined in paragraphs 29-32 of amended *SAS No. 58. SAS No. 79* does not apply to going concern situations for which *SAS No. 59,* as amended by *SAS No. 64*, provides guidance.

Table 6-3 summarizes the nature of uncertainties included for which an explanatory paragraph was included in an auditors' report. Examples of explanatory language as to uncertainties follow.

TABLE 6-3: UNCERTAINTIES

	1995	1994	1993	1992
Litigation	8	14	18	18
Going concern	7	4	8	17
Other	2	3	6	7
Total Uncertainties	**17**	**21**	**32**	**42**
Total Companies	**15**	**20**	**29**	**35**

Litigation

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Archer Daniels Midland Company
Decatur, Illinois

We have audited the accompanying consolidated balance sheets of Archer Daniels Midland Company and subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended June 30, 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 Archer Daniels Midland Company and its subsidiaries at June 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, the Company, along with a number of other foreign and domestic companies is the subject of a grand jury investigation into possible violations of federal antitrust laws and possible related crimes in the food additives industry. Related civil class actions are pending. Because of the early stage of the investigation, the ultimate outcome of these matters cannot presently be determined. Accordingly, no provision for any liability that may result therefrom has been made in the accompanying consolidated financial statements.

As discussed in the notes to the consolidated financial statements, the Company changed its method of accounting for income taxes and postretirement benefits in 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11-Antitrust Investigation and Related Litigation

The Company, along with a number of other domestic and foreign companies, is the subject of a grand jury investigation into possible violations of federal antitrust laws and possible related crimes in the food additives industry. The investigation is directed towards possible price-fixing with respect to lysine, citric acid and high fructose corn syrup. Neither the Company nor any director, officer or employee has been charged in connection with the investigation.

Following public announcement of the investigation, the Company and certain of its directors and executive officers were named as defendants in a number of putative class actions alleging violations of antitrust and securities laws relating to the Company's marketing practices in the food additives industry, specifically with respect to lysine, citric acid and high fructose corn syrup. The plaintiffs generally request unspecified compensatory and punitive damages, costs, expenses and unspecified relief. The Company and the individuals named as defendants intend to vigorously defend these class actions.

These matters could result in the Company being subject to monetary damages, fines, penalties and other sanctions and expenses. However, because of the early stage of the investigation, the ultimate outcome of the investigation and the putative class actions cannot presently be determined. Accordingly, no provision for any liability that may result therefrom has been made in the accompanying consolidated financial statements.

Shareholder derivative actions also have been filed against certain of the Company's directors and executive officers and nominally against the Company alleging that the individuals named as defendants breached their fiduciary duties to the Company and seeking monetary damages and other relief on behalf of the Company from the individuals named as defendants. The Company intends to seek dismissal of these derivative actions on the ground that they cannot be maintained unless the plaintiffs first brought their complaints to the Company's Board of Directors, which they did not.

The Company from time to time, in the ordinary course of business, is named as a defendant in various other lawsuits. In management's opinion, the gross liability from such other lawsuits, including environmental exposure, with or without insurance recoveries is not considered to be material to the Company's financial condition or results of operations.

INDEPENDENT AUDITORS' REPORT

MAPCO Inc.,
Its Directors And Stockholders:

We have audited the accompanying consolidated balance sheets of MAPCO Inc. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's managements. 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 MAPCO Inc. and subsidiaries at December 31, 1995, and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, the Company is a defendant in litigation relating to an LPG explosion in April 1992, that occurred near an underground salt dome storage facility located near Brenham, Texas.

As discussed in Note 1 to the consolidated financial statements, in 1995 the Company changed its method of accounting for the impairment of long-lived assets and for long-lived assets to be disposed of to conform with Statement of Financial Accounting Standards No. 121.

January 26, 1996
(March 7, 1996 as to Note 12)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

Texas Explosion Litigation

On April 7, 1992, an LPG explosion occurred near an underground salt dome storage facility located near Brenham, Texas and owned by an affiliate of the Company, Seminole Pipeline Company ("Seminole"). The National Transportation Safety Board and the Texas Railroad Commission essentially determined that the probable cause of the explosion was the result of overfilling the storage facility.

The Company, as well as Seminole, Mid-America Pipeline Company, MAPCO Natural Gas Liquids Inc. and other non-MAPCO entities have been named as defendants in civil actions filed in state district courts in Texas. During 1993, Seminole received reimbursements from its insurers for settlements which disposed of all of the death claims and substantially all of the serious injury claims resulting from the incident. Generally, the types of remaining claims consist of personal injury, mental anguish and property damage claims, coupled with theories of nuisance and diminished property value.

In March 1996, a judgment was rendered in a case tried in the state district court in Houston, Texas against Seminole, Mid-America Pipeline Company and MAPCO (the "defendants"). The judgment totaled approximately $72 million in actual damages, exemplary damages and interest, with only $5.4 million pertaining to actual damages found by the jury. The defendants have requested a new trial and will also pursue an appeal, if necessary.

The plaintiffs in cases which remain to be tried in Harris, Maverick and Washington counties in Texas, seek unspecified amounts for actual and exemplary damages.

Management believes that it has defenses of considerable merit and will vigorously litigate all pending disputes and/or seek settlements favorable to the Company, but is not able to predict the ultimate outcome of these matters at this time. The Company has accrued a liability representing an estimate of amounts it may incur in connection with the final resolution of all the remaining claims related to the explosion. The Company has also recorded a receivable which corresponds to the remainder of its insurance coverage to be reimbursed by its insurance carrier. Resolutions unfavorable to the Company could result in material liabilities and charges which have not been reflected in the accompanying consolidated financial statements.

Going Concern

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, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended September 30, 1995. 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 financial statements referred to above present fairly, in all material respects, the financial position of Anacomp, Inc. and subsidiaries as of September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1995 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company experienced a net loss in 1995, is currently in default under substantially all of its debt agreements, and in addition, on January 5, 1996, the Company filed a prenegotiated voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. In the event a plan of reorganization is accepted, continuation of the business thereafter is dependent on the Company's ability to achieve sufficient cash flow to meet its restructured debt obligations. The accompanying financial statements do not include any

adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

As explained in Note 1 to the financial statements, effective June 30, 1995, the Company changed its method of accounting for the measurement of goodwill impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Financial Restructuring Developments:

For the year ended September 30, 1995, the Company reported a $238.3 million net loss. The Company is highly leveraged, and certain recent developments have had a material adverse effect on the Company's short-term liquidity and the Company's ability to service its debts.

Although revenues for the Company's core micrographic business had been declining over the last several fiscal years, the Company believed that these declines would stabilize. However, based on weaker that anticipated results, including disappointing sales performance for the Company's new products, the Company did not have sufficient cash available to make both its $20.0 million scheduled principal payment due April 26, 1995 on its senior secured debt and the $17.0 million scheduled interest payment due May 1, 1995 on its 15% Senior Subordinated Notes. The Company sought an agreement with its senior secured lenders to reschedule its April 26, 1995 principal payment but was unable to obtain such an agreement. As a result of the foregoing, the Company has ceased making principal payments on its senior and subordinated debt and interest payments on its subordinated debt. The Company has continued to make interest payments to its senior secured lenders.

The Company has been engaged in continuous efforts since May 1995 to formulate a restructuring plan to satisfy its various investor constituencies. Such efforts have included the retention of various financial advisors to assist in the restructuring process and the development by the Company of a new business plan and strategy to address the Company's current financial situation and disappointing recent financial performance.

On August 14, 1995, the Company presented a restructuring proposal to certain of the Company's senior secured lenders and holders of its 15% Senior Subordinated Notes. After months of discussions and negotiations with representatives of Holders of Claims under the Revolving Loan, Multicurrency Revolving Loan, and Term Loan("Old Credit Facilities") and with unofficial committees representing Holders of the Series B Senior Notes ("Old Senior Notes"), the 15% Senior Subordinated Notes ("Old Senior Subordinated Notes") and the 13.875% and 9% Convertible Subordinated Debentures ("Old Subordinated Debentures"), the Company reached an agreement in principle with an unofficial committee representing Holders of the Old Senior Subordinated Notes. Under the terms of the proposal, trade creditors will continue to be paid under normal trade terms. On January 5, 1996, the Company filed a prenegotiated Debtor's Joint Plan of Reorganization ("Plan") with the U.S. Bankruptcy Court under Chapter 11 of the Bankruptcy Code. Certain representatives of holders of the Old Credit Facilities and Old Senior Notes have indicated they oppose the Plan. The Company continues to negotiate with all their lenders in an attempt to reach a consensual agreement. There can be no assurance that this prenegotiated Plan will be accepted by the Bankruptcy Court or all the necessary votes accepting the Plan will be obtained from the lenders. If an agreement is not reached, a non-negotiated Chapter 11 proceeding is likely to occur.

INDEPENDENT AUDITORS' REPORT

The Board of Director and Stockholders
Dep Corporation
Rancho Dominguez, California

We have audited the accompanying consolidated balance sheets of Dep Corporation and subsidiaries as of July 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended July 31, 1995. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule listed in Item 8. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 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 Dep Corporation and subsidiaries as of July 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 1995, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the consolidated financial statements, the Company was in technical default of certain financial covenants in connection with its bank facility which have been waived by the lenders through October 31, 1995. As more fully discussed in Note 6 to the consolidated financial statements, the Company and the lenders who are a party to the bank facility have entered into an amendment (the "Fifth Amendment") to modify the maturity dates of amounts outstanding under the bank facility and to modify the financial covenants. In addition, as revised by the

Fifth Amendment, the Company has a mandatory payment of $8,300,000 due on April 15, 1996. Based on current estimates of available cash flow, management does not believe it will have sufficient cash to make the mandatory payment. Accordingly, the entire amount outstanding under the bank facility of $60,969,000 has been classified as a current liability in the accompanying consolidated financial statements. Management's plans in regard to these matters are described in Note 16 to the consolidated financial statements. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements and financial statement schedule do not include any adjustments that might result from the outcome of this uncertainty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Long-term debt

The bank loans relate to the Revolving Credit and Term Loan Agreement, as amended, (the "Bank Facility") that the Company entered into on August 5, 1993, with a group of seven banks (the "Bank Group"), in conjunction with the acquisition of the Agree and Halsa brands. Pursuant to the terms of the Bank Facility in effect at July 31, 1995, the Term Loan was payable in quarterly installments through June 30, 1998, and the Working Capital Advances were repayable in full on August 6, 1998, the Bank Facility's termination date.

During 1995, borrowings under the Bank Facility were subject to interest at the Agent bank's base rate ($8\frac{3}{4}$% at July 31, 1995) plus $1\frac{5}{8}$% payable monthly.

The terms of the Bank Facility provide for the maintenance of certain financial covenants. Because of the operating loss reported by the Company for the year ended July 31, 1995, the Company would not have been in compliance with such covenants had the Bank Group not granted waivers of such technical defaults extending through October 31, 1995.

On November 3, 1995, the Company and the Bank Group entered into a Fifth Amendment to the Bank Facility effective as of October 30, 1995 (the "Fifth Amendment") which provides, among other things, for the termination of the Bank Facility on December 30, 1996, a decrease in working capital commitment to $25,000,000 from $28,000,000, an increase in interest rates, and lower quarterly scheduled term loan payments through April 1, 1996. The $9,567,000 payment originally due on December 29, 1995, has been reduced to $500,000 and a principal payment of $8,300,000 will now be due April 15 1996. However, based on current estimates of cash flow, management does not believe it will have sufficient cash to pay the $8,300,000 due on April 15, 1996. Accordingly, the entire amount outstanding under the Bank Facility has been classified as a current liability. The interest rate under the Fifth Amendment for the Period October 1, 1995 through June 30, 1996 will be base rate plus 3%; July 1, 1996 through September 30, 1996, base rate plus 4%; and thereafter base rate plus 5%. In addition, the financial convenants have been revised with the first reporting period of January 31, 1995. (See "Note 16 of the Notes to Consolidated Financial Statements.") Substantially all of the Company's assets not otherwise pledged as collateral on existing mortgages are pledged as collateral under the Bank Facility. The terms of the Bank Facility limit the Company from borrowing funds from sources other than the Bank Facility.

Note 16. Liquidity:

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in "Note 6 of the Notes to Consolidated Financial Statements," the Company and the Bank Group entered into the Fifth Amendment which provides, among other things, for an $8,300,000 principal payment on April 15, 1996. In light of the Company's current projected earnings and cash flow, management believes the Company has the financial resources to maintain its current level of operations until the April 15, 1996 principal payment is due. However, cash generated from operations alone will not be sufficient to pay the $8,300,000 on April 15, 1996, without proceeds from the sale of assets or a refinancing or restructuring of the Bank Facility prior to such date. As a result, the Company has retained legal counsel specializing in restructurings to render advice regarding various alternatives available to the Company. In addition, the Company has retained Donaldson, Lufkin & Jenrette Securities Corporation to assist it in exploring strategic alternatives which include, among other things, a business combination, sale of assets, strategic investment in the Company or a refinancing of the Bank Facility. There can be no assurance that the Company will be successful in its attempt to consummate one of the strategic alternatives or a refinancing of the Bank Facility.

If the Company does not make either the April 15, 1996 principal payment or the balance due December 31, 1996, it may be unable to continue its normal operations, except to the extent permitted by the Bank Group. Substantially all of the Company's assets not otherwise pledged as collateral on existing mortgages are pledged as collateral under the Bank Facility. As of October 20, 1995, the Company has cash and cash equivalents totaling approximately $5,300,000 (unaudited).

LACK OF CONSISTENCY

Table 6-4 summarizes the accounting changes for which auditors expressed unqualified opinions but added explanatory language to their reports as required by paragraphs 16-18 of *Statement on Auditing Standards No. 58,* as amended by *SAS No. 79.* 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 years prior to 1995. Of the 512 references to lack of consistency, 435 relate to changes made in years prior to 1995. Examples of references to lack of consistency follow.

TABLE 6-4: LACK OF CONSISTENCY

	1995	1994	1993	1992
Income taxes	146	330	332	205
Postretirement benefits	139	334	356	215
Postemployment benefits	104	120	87	19
Impairment of long-lived assets	43	3	—	—
Investments (SFAS No. 115)	31	33	10	—
Inventories	7	7	12	14
Other—described	42	34	32	18
Total References	**512**	**861**	**829**	**471**
Total Companies	**292**	**431**	**417**	**166**

Income Taxes

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Avery Dennison:

We have audited the accompanying consolidated balance sheets of Avery Dennison Corporation and subsidiaries as of December 30, 1995, and December 31, 1994, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 30, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above, which appear on pages 40 through 52 of this Annual Report, present fairly, in all material respects, the consolidated financial position of Avery Dennison Corporation and subsidiaries as of December 30, 1995, and December 31, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS No. 109 "Accounting for Income Taxes" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits" during 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Changes in Accounting Principles

During 1993, the Company adopted three accounting standards issued by the Financial Accounting Standards Board. The adoption of the accounting standards had no effect on cash flow, but had a one-time cumulative effect on net income as follows:

	Income (expense)	
(In millions, except per share amounts)	Total	Per Share
Accounting for income taxes	$16.3	$ .28
Accounting for postretirement benefits, net of tax	(14.2)	(.24)
Accounting for postemployment benefits, net of tax	(1.0)	(.02)
Increase in net income for 1993	$ 1.1	$ .02

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 121 on accounting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS No. 121 requires the Company to review the carrying amounts of its long-lived assets and certain identifiable intangible assets for impairment. If it is determined the carrying amount of the asset is not recoverable, the Company is required to recognize an impairment loss. The accounting standard will be implemented during the first quarter of 1996; however, the loss, if any, has not yet been determined.

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 as of September 30, 1995 and September 24, 1994, 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 30, 1995. These financial state-

ments 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 as of September 30, 1995 and September 24, 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1995, 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 in 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 has 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. Financial statements for years prior to fiscal 1994 have not been restated to apply the provisions of SFAS No. 109.

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 1, 1995, October 2, 1994 and September 26, 1993, and the related consolidated statements of income, stockholders' investment and cash flows for the years ended October 1, 1995 and October 2, 1994, the transition quarter from June 28, 1993 to September 26, 1993 and the year ended June 27, 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.

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 1, 1995, October 2, 1994 and September 26, 1993, and the results of their operations and their cash flows for the years ended October 1, 1995 and October 2, 1994, the transition quarter from June 28, 1993 to September 26, 1993 and the year ended June 27, 1993 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In Thousands)

7 (In Part): Income Taxes

Effective June 28, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes", utilizing the prospective adoption method. As a result, a benefit of $3,100 was recognized during the transition quarter ended September 26, 1993 for the cumulative effect on prior years of the change in accounting principle. As of June 28, 1993, the Company recorded an adjustment of $11,728 to reduce its deferred income tax liabilities, partially offset by a reduction in its prepaid income taxes of $8,628, for a net reduction in the Company's net deferred income tax liabilities of $3,100.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Temple-Inland Inc.:

We have audited the accompanying consolidated balance sheets of Temple-Inland Inc. and subsidiaries as of December 30, 1995 and December 31, 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 30, 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 Temple-Inland Inc. and subsidiaries at December 30, 1995 and December 31, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Notes 4 and 5 to the consolidated financial statements, in 1993 the Company changed its method of accounting for postretirement benefits other than pensions and income taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Postretirement Benefits Other Than Pensions

In 1993, the Company adopted FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions". The Company elected to immediately recognize the cumulative effect of the change in accounting for postretirement benefits of $75 million ($115 million liability net of a deferred tax asset of $40 million), or $1.35 per share, which represents the accumulated postretirement benefit obligation (APBO) existing at adoption. The Company provides these benefits to eligible salaried and hourly employees who reach retirement age while employed by the Company.

Note 5 (In Part): Taxes on Income

In fiscal year 1993, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes", whereby the Company was required to adopt the liability method of computing deferred income taxes. The cumulative effect of adopting FASB Statement No. 109 as of January 1993 was to increase net earnings by $125 million, or $2.25 per share.

Postretirement Benefits

INDEPENDENT AUDITORS' REPORT

Stockholders of Baker Hughes Incorporated:

We have audited the consolidated statements of financial position of Baker Hughes Incorporated and its subsidiaries as of September 30, 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 September 30, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Baker Hughes Incorporated and its subsidiaries at September 30, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 1, the Company changed its method of accounting for postemployment benefits effective October 1, 1994 to conform with Statement of Financial Accounting Standards No. 112. Also as discussed in Note 1, the Company changed its method of accounting for postretirment benefits other than pensions and for income taxes effective October 1, 1993 to conform with Statement of Financial Accounting Standards No. 106 and Statement of Financial Accounting Standards No. 109, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income taxes: The Company adopted SFAS No. 109, "Accounting for Income Taxes," effective October 1, 1993, without restatement of prior years. The cumulative effect of adopting SFAS No. 109 was a credit to income of $25.5 million ($.18 per share). An additional benefit of $21.9 million was allocated to capital in excess of par value, which reflects the cumulative tax effect of exercised employee stock options for which the Company has taken tax deductions in its U.S. federal tax returns.

Postretirement benefits other than pensions: The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," effective October 1, 1993. The standard requires that the estimated cost of postretirement benefits other than pensions be accrued over the period earned rather than expensed in the period the benefits are paid. The cumulative effect of adopting SFAS No. 106 on the immediate recognition basis was a charge to income of $69.6 million ($.50 per share), net of a tax benefit of $37.5 million.

Postemployment benefits: The Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective October 1, 1994. The standard requires that the cost of benefits provided to former or inactive employees after employment, but before retirement, be accrued when it is probable that a benefit will be provided, or in the case of service related benefits, over the period earned. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid. The cumulative effect of adopting SFAS No. 112 was a charge to income of $14.6 million ($.10 per Share), net of a tax benefit of $7.9 million.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Becton, Dickinson and Company

We have audited the accompanying consolidated balance sheets of Becton, Dickinson and Company as of September 30, 1995 and 1994, and the related consolidated statements of income and cash flows for each of the three years in the period ended September 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement 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 Becton, Dickinson and Company at September 30, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1993 the Company changed its methods of accounting for postretirement benefits other than pensions, postemployment benefits and income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars, except per share amounts

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

Accounting Changes
Effective October 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting For Postretirement Benefits Other Than Pensions; SFAS No. 112, Employers' Accounting For Postemployment Benefits; and SFAS No. 109, Accounting For Income Taxes. The cumulative effect on prior years and the net incremental charges attributable to these adoptions were included in the determination of net income in 1993, as detailed below:

	Cumulative Effect		
	Pre-tax	After-tax	Per Share
SFAS No. 106	$(189,150)	$(119,130)	$(1.55)
SFAS No. 112	(46,1550	(29,7650)	(.38)
SFAS No. 109	—	7,838	.10
	1993 Incremental Effect		
	Pre-tax	After-tax	Per Share
SFAS No. 106	$ (19,600)	$ (12,420)	$ (.17)
SFAS No. 112	3,632	2,325	.03
SFAS No. 109	—	3,725	.03

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Genuine Parts Company

We have audited the accompanying consolidated balance sheets of Genuine Parts Company and subsidiaries as of December 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 December 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 Genuine Parts Company and subsidiaries at December 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 December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1993 the Company changed its method of accounting for postretirement benefits other than pensions and income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Accounting Changes: Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" which requires the projected future costs of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when benefits are paid. The Company applied the new rules using the cumulative effect method, resulting in a charge of $5,055,000 (net of income taxes of $3,095,000) in 1993.

Also effective January 1, 1993, the Company adopted Statement of Financial Accounting Accounting Standards No. 109, "Accounting for Income Taxes". The cumulative effect as of January 1, 1993, of adopting Statement 109 increased 1993 net income by $4,000,000.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheet of Duracell international Inc. and its subsidiaries as of June 30, 1995 and 1994, and the related statements of consolidated operations, equity, and cash flows for each of the three years in the period ended June 30, 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, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Duracell International Inc. and its subsidiaries at June 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, in 1993 the Company changed its method of accounting for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106.

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

4. Accounting Change

During the fiscal year ended June 30, 1993, the Company adopted FAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which requires accrual of the expected cost of providing postretirement health care benefits during the years that employees provide service. Previously, retiree health care and life insurance benefits were expensed as incurred. Implementation of the standard has no effect on the Company's cash outlays, which are negligible. In adopting FAS No. 106 the Company elected to fully recognize the accumulated postretirement benefit obligation as of July 1, 1992. The cumulative effect of adoption resulted in a noncash charge to earnings of $75.4, net of $4.7 income tax benefit, which reduced earnings per share $.63. Results for years preceding 1993 were not restated for the adoption of this standard. The tax benefit on the cumulative effect of accounting change was not recorded at the U.S. statutory rate due to the impact of U. S. book federal net operating loss carryforwards existing at the beginning of the fiscal year.

Postemployment Benefits

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Emerson Electric Co.:

We have audited the accompanying consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1995. 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 Emerson Electric Co. and subsidiaries as of September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1995, in conformity with generally accepted accounting principles

As discussed in note 7 to the consolidated financial statements, effective October 1, 1993, the Company changed its method of accounting for postretirement benefits other than pensions and effective October 1, 1994, the Company changed its method of accounting for postemployment benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Postretirement Plans and Postemployment Benefits

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 of 1994 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 adoption of the statement does not have a material impact on the Company's ongoing results of operations.

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Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers" Accounting for Postemployment Benefits, which establishes accounting standards for workers' compensation, disability and severance benefits. The Company recognized the obligation in the first quarter of 1995 as a cumulative effect of change in accounting principle of $21.3 million (net of $13.7 million in related income tax benefits). The adoption of the statement does not have a material impact on the Company's ongoing results of operations.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pall Corporation

We have audited the accompanying consolidated balance sheets of Pall Corporation and subsidiaries as of July 29, 1995 and July 30, 1994 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended July 29, 1995. 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 Pall Corporation and subsidiaries as of July 29, 1995 and July 30, 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended July 29, 1995, in conformity with generally accepted accounting principles.

As discussed in the Accounting Policies note to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" in fiscal year 1995.

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

Accounting Policies (In Part)

Accounting Change

In the first quarter of fiscal 1995, the Company adopted Financial Accounting Standards Board Statement No. 112 (Employers' Accounting for Postemployment Benefits). The effect of initially applying this Statement ($1,200 pretax, $780 after taxes, 1 cent per share) is reported as the cumulative effect of a change in an accounting principle.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
The Duriron Company, Inc.

We have audited the accompanying consolidated balance sheets of The Duriron Company, Inc. as of December 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 December 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 The Duriron Company, Inc. at December 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 December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 17 to the consolidated financial statements, effective January 1, 1993 the Company changed its method of accounting for postemployment benefits.

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 net earnings by $945,000, or $.04 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 1995, 1994 and 1993 income before the cumulative effect of the change was not material.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Dravo Corporation:

We have audited the accompanying consolidated balance sheets of Dravo Corporation and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1995. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dravo Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Notes 10 and 13 to the consolidated financial statements, the company adopted the method of accounting for postemployment benefits prescribed by Statement of Financial Accounting Standards No. 112 in 1994 and the methods of accounting for postretirement benefits other than pensions and income taxes prescribed by Statements of Financial Accounting Standards No. 106 and 109, respectively, in 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Postretirement and Postemployment Benefits

The company adopted the provisions of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112) effective January 1, 1994. SFAS 112 requires accrual of the estimated cost of benefits provided by the employer to former or inactive employees, including their beneficiaries and covered dependents, after employment but before retirement. A charge of $1.4 million was recorded in the first quarter as a cumulative effect for a change in accounting principle to recognize the company's estimated liability for postemployment benefits covered by SFAS 112.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Goulds Pumps, Incorporated:

We have audited the accompanying consolidated balance sheets of Goulds Pumps, Incorporated and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 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, such consolidated financial statements present fairly, in all material respects, the financial position of Goulds Pumps, Incorporated and subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 9 to the consolidated financial statements, the Company changed its method of accounting for postemployment benefits effective January 1, 1993.

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

9 (In Part): Employee Benefit Plans

Postemployment Benefits
Effective January 1, 1993, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," requiring the accrual method of accounting for certain of these benefits. In 1993, the Company recorded a pre-tax charge of $1,579 ($1,026 after-tax or $.05 per share) as a cumulative effect of accounting change. Previously, the Company recognized postemployment benefit costs when paid. The annual cost related to SFAS No. 112 is not material.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Thiokol Corporation:

We have audited the accompanying consolidated balance sheets of Thiokol Corporation as of June 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 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 Thiokol Corporation at June 30, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Notes I and J, in 1994 the Company changed its method of accounting for postretirement benefits other than pensions and postemployment benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 that 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 in 1994. 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 or as amounts are expended. Voluntary Employees' Beneficiary Association (VEBA) trusts and other trusts under IRS regulations were established in 1994 for government contact reimbursement purposes. The amounts funded are tax deductible in the year of contribution under current IRS regulations.

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 1994 earnings and shareholders' equity was $12.2 million ($.61 per share) after a deferred income tax benefit of $7.1 million.

Impairment Of Long-Lived Assets

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Brown Group, Inc.

We have audited the accompanying consolidated balance sheets of Brown Group, Inc. as of February 3, 1996 and January 28, 1995, and the related statements of consolidated earnings, shareholders' equity, and cash flows for each of the three years in the period ended February 3, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Brown Group, Inc. at February 3, 1996 and January 28, 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 3, 1996 in conformity with generally accepted accounting principles

As discussed in Note 8 to the consolidated financial statements, in 1995 the company changed its method of accounting for the impairment of long-lived assets and in 1993, as discussed in Note 4, changed its method of accounting for postemployment benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Retirement and Other Benefit Plans

In the fourth quarter of 1993, the corporation adopted, retroactive to January 31, 1993, the Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1993, expenses related to postemployment medical benefits were recognized on a pay-as-you-go basis. The corporation elected to immediately recognize the cumulative effect of the change in accounting for postemployment benefits of $3.4 million. On an aftertax basis, this charge was $2.2 million or $.13 per share. The effect of this change on 1993 operating results was not material.

Note 8 (In Part): Property and Equipment

In fiscal 1995, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. An evaluation of the fair value of the assets associated with the corporation's retail store operations resulted in the determination that certain store assets were impaired. The impaired assets were written down by $2.1 million. Fair value was based on estimated future cash flows to be generated by these retail stores, discounted at a market rate of interest. This writedown is included in the "Other Expense (Income)" amount for fiscal 1995 on the Statement of Consolidated Earnings. Due to the large number of new retail stores opened by the corporation in the last several years, it is possible that the estimate of undiscounted cash flows may change as these stores mature, potentially resulting in the need to write-down those assets to fair value.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders
Crown Central Petroleum Corporation

We have audited the accompanying consolidated balance sheets of Crown Central Petroleum Corporation and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, changes in common stockholders' equity, and cash flows for each of the three years in the period ended December 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 consolidated financial position of Crown Central Petroleum Corporation and subsidiaries at December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ending December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in the fourth quarter of 1995, the Company changed its method of accounting for impairment of long-lived assets in accordance with the adoption of SFAS No. 121.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Description of Business and Summary of Accounting Policies

Property, Plant and Equipment: Property, plant and equipment is carried at cost. Costs assigned to property, plant and equipment of acquired businesses are based on estimated fair value at the date of acquisition. Depreciation and amortization of plant and equipment are primarily provided using the straight-line method over estimated useful lives. Construction in progress is recorded in property, plant and equipment.

Expenditures which materially increase values, change capacities or extend useful lives are capitalized in property, plant and equipment. Routine maintenance, repairs and replacement costs are charged against current operations. At intervals of two or more years, the Company conducts a complete shutdown and inspection of significant units (turnaround) at its refineries to perform necessary repairs and replacements. Costs associated with these turnarounds are deferred and amortized over the period until the next planned turnaround, which generally ranges from 24 to 48 months.

Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gain or loss is included in income.

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," (SFAS 121). SFAS 121 requires that long-lived assets and certain identifiable intangibles, including goodwill, to be held and used by an entity, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset(s) may not be recoverable. The Company has chosen to adopt SFAS 121 effective October 1, 1995. The decline in operating margins and continuing operating losses were indicators of potential impairment at the Company's Tyler refinery. The estimated undiscounted cash flows anticipated from operating this refinery indicated that a write-down to fair market value was required under SFAS 121. This write-down from the initial adoption of SFAS 121 resulted in a charge to income before income taxes of $80.5 million which is included in the Statement of Operations as Write-down of property, plant and equipment. The estimated fair value of these assets was determined by an independent appraisal.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Dixie Yarns, Inc.

We have audited the accompanying consolidated balance sheets of Dixie Yarns, Inc. and subsidiaries as of December 30, 1995 and December 31, 1994, and the related consolidated statements of income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 30, 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 Dixie Yarns, Inc. and subsidiaries at December 30, 1995 and December 31, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in 1995 the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part) Summary of Significant Accounting Policies

Impairment of Assets: In 1995, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets. There was no material effect on the financial statements from the adoption because the Company's prior impairment recognition

practice was consistent with the major provisions of the Statement. Under provisions of the Statement, impairment losses are recognized when expected future cash flows are less than the assets' carrying value. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of property, plant and equipment and intangibles in relation to the operating performance and future undiscounted cash flows of the underlying business. The Company adjusts the net book value of the underlying assets if the sum of expected future cash flows is less than book value.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Phillips Petroleum Company

We have audited the accompanying consolidated balance sheets of Phillips Petroleum Company as of December 31, 1995 and 1994, 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, 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 Phillips Petroleum Company at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective April 1, 1995 the company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Change and Extraordinary Item

Effective April 1, 1995, the company adopted Financial Accounting Standards Board (FASB) Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", which resulted in a before-tax addition of $95 million to depreciation, depletion and amortization expense in 1995. Under the new Statement, the company now evaluates impairment of exploration and production assets on a field-by-field basis rather than using one worldwide cost center for its proved properties. After-tax, the additional charge was $49 million, $.19 per share.

The before-tax charges for the above items by segment were Exploration and Production (E&P), $78 million; Corporate, $13 million; and Chemicals, $4 million. The after-tax charges were $39 million, $7 million, and $3 million, respectively. The fair values of the impaired E&P assets were determined by using the present value of expected future cash flows. The fair value of idle Corporate and Chemicals assets considered to be impaired were determined based on information about sales and purchases of similar assets.

During 1993, the company incurred a before-tax extraordinary loss of $3 million, attributed to call premiums paid on the early retirement of debt. The after-tax loss was $2 million, $.01 per share.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of Unocal Corporation:

We have audited the accompanying consolidated balance sheets of Unocal Corporation and its subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of earnings, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of Unocal Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above, which appear on pages 31 through 51 of this annual report, present fairly, in all material respects, the consolidated financial position of Unocal Corporation and its subsidiaries as of December 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 December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Unocal Corporation and its subsidiaries changed their method of accounting for the impairment of long-lived assets and long-lived assets to be disposed of in 1995; for recognizing the reduction in value of its producing oil and gas properties in 1994; and for postretirement benefits other than pensions and for postemployment benefits in 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 — Accounting Changes

Effective in the fourth quarter of 1995, the company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." The new accounting standard sets guidelines to be used for determining and measuring impairment of certain assets. As a result, the company recorded a charge to earnings of $87 million pretax ($53 million after tax or 22 cents per common share) for the write-down of several oil and gas producing properties where recent downward revisions in reserve estimates indicated future net cash flows would be insufficient to fully recover the carrying value of these properties. The carrying values were written down to estimated future discounted cash flows or fully written off in the case of negative future cash flows. The charge was recorded in depreciation, depletion and amortization expense and reflected the reduction in value of various properties located in the United States ($44 million), the Netherlands ($37 million) and Canada ($6 million).

Effective January 1, 1994, the company changed its accounting policy for recognizing the reduction in value of its producing oil and gas properties and commenced to evaluate properties for impairment on a field-by-field basis instead of a country-by-country basis which was previously used. 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 of 1994. 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 were 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 would have increased by $31 million to $244 million or 86 cents per common share as a result of the accounting change.

Effective January 1, 1993, the company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This new accounting standard requires the company to recognize its obligation to provide postretirement health care benefits and to accrue such costs rather than recording them on a cash basis. The actuarial present value of the accumulated postretirement health care obligation existing at January 1, 1993, was recognized in the consolidated earnings statement as a cumulative effect of an accounting change, resulting in a charge to the first quarter 1993 earnings of $192 million before tax ($121 million after tax or 50 cents per common share).

The company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. This statement requires the company to recognize its obligation to provide benefits, such as workers' compensation and disabled employees' medical care, to former or inactive employees after employment but before retirement. The charge to earnings for the cumulative effect of the company's unfunded obligation prior to 1993 was $14 million before tax ($9 million after tax or 4 cents per common share).

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, 1995 and 1994, 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, 1995. 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 statement 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, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995 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 method 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 assessed impairment by comparing net capitalized costs to undiscounted fu-

ture net cash flows after estimated income taxes on a field-by-field basis using period-end prices. For measurement purposes, future net cash flows were 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 were held constant. As a result of the change in method, the Company reduced the capitalized costs of 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 was 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 changed methods referred to above were not identical to those later prescribed by SFAS No. 121 as described in Note 1. The Company adopted the provisions of SFAS No. 121 in the fourth quarter of 1995 and no further impairment was indicated.

Investments

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Bowne & Co., Inc.

We have audited the accompanying consolidated balance sheets of Bowne & Co., Inc. and Subsidiaries as of October 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 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 Bowne & Co., Inc. and Subsidiaries at October 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 October 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, as of November 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Marketable Securities

Effective November 1, 1994, the Company adopted FAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The Company classifies its investment in marketable equity securities as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. At October 31, 1995, the fair value of marketable securities exceeded cost by $2,333,000. The net unrealized gains, after deferred taxes, were $1,307,000. In accordance with the provisions of FAS No. 115, prior year information was not restated and marketable securities were carried at lower of cost or market.

At November 1, 1994, the net unrealized gains, after deferred taxes of $405,000, were $551,000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Humana Inc.

We have audited the accompanying consolidated balance sheets of Humana, Inc., as of December 31, 1995 and 1994, and the related consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended December 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 the 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 Humana Inc. as of December 31, 1995 and 1994, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Humana Inc., adopted the provisions of Statement of Financial Accounting Standards No. 115,

"Accounting for Certain Investments in Debt and Equity Securities," effective December 31, 1993.

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, "Accounting for Certain Investments in Debt and Equity Securities," effective December 31, 1993.

At December 31, 1995 and 1994, marketable debt and equity securities have been categorized as available for sale and, as a result, are stated at fair value based generally on quoted market prices. Commercial mortgages are carried at cost. Marketable debt and equity securities available for current operations are classified as current assets. Marketable securities being held for the Company's future acquisition, capital spending, professional liability, and long-term insurance product requirements are classified as long-term assets. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of common stockholders' equity until realized.

Inventories

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, 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 December 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 Witco Corporation and Subsidiary Companies at December 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 December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1995 the Company changed its method of accounting for inventory valuation under dollar value LIFO from LIFO double extension to LIFO link chain.

As discussed in Note 1 to the financial statements, in 1995 the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

NOTES TO FINANCIAL STATEMENTS

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

Inventories: Inventories are stated at cost, principally on the Last-In, First-Out (LIFO) basis which is not in excess of market. The balance of inventories is stated at the lower of cost on the First-In, First-Out (FIFO) basis or market. Effective January 1, 1995, the Company changed its method of inventory valuation under dollar value LIFO from LIFO double extension to LIFO link chain. Management believes that the LIFO link chain method is preferable because it is the predominate method used in the industry and will mitigate the impact of volume fluctuations on results of operations. The change in accounting method had no material effect on income for the year ended December 31, 1995. It is not possible to determine the effect of the change on retained earnings as of January 1, 1995 or income as previously reported for the years ended December 31, 1994 or 1993.

Impairment of Long-Lived Assets: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" effective January 1, 1995. SFAS 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The adoption of SFAS No. 121 did not have a material impact on the Company's financial position or results of operations other than its effect on the provision for plant consolidation (see Note 9 of Notes to Financial Statements).

Turnaround Costs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Terra Industries Inc.

We have audited the accompanying consolidated statements of financial position of Terra Industries Inc. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the

Corporation's management. Our responsibility it 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 Terra Industries Inc. and subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the Corporation changed its method of accounting for major maintenance turnarounds and postemployment benefits effective January 1, 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. 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 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. Prior to the adoption of SFAS 112, the Corporation recognized such expenses in the period the benefits were paid.

Revenue Recognition

INDEPENDENT AUDITORS' REPORT

General Motors Corporation,
its Directors, and Stockholders:

We have audited the Consolidated Balance Sheets of General Motors Corporation and subsidiaries as of December 31, 1995 and 1994 and the related Consolidated Statements of Income and Cash Flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of General Motors Corporation and subsidiaries at December 31, 1995 and 1994 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective January 1, 1995 the Corporation changed its method of accounting for sales to daily rental car companies. Also, as discussed in Note 1 to the financial statements, effective January 1, 1994 the Corporation changed its methods of accounting for postemployment benefits and certain investments in debt and equity securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Accounting Changes

The Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus in November 1995 on Issue No. 95-1, Revenue Recognition on Sales with a Guaranteed Minimum Resale Value, and concluded that a manufacturer must account for the sale of equipment as an operating lease if it guarantees the resale value of the equipment to the purchaser. Accordingly, the Corporation has modified its revenue recognition policy on sales to daily rental car companies to conform to the consensus. Adoption of this consensus, effective January 1, 1995, resulted in an unfavorable cumulative effect of $51.8 million after-tax ($0.07 per share) attributable to $1 par value common stock and increases at December 31, 1995 in net equipment on operating leases of $4.4 billion and other liabili-

ties and deferred credits of $4.6 billion. The effect on future periods is not expected to be material.

Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, which becomes effective for General Motors as of January 1, 1996, establishes accounting standards for determining and calculating the impairment of long-lived assets, certain identifiable intangible assets, and goodwill related to those assets. General Motors will adopt SFAS No. 121 and calculate its impact on General Motors during the first quarter of 1996.

As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, which becomes effective for General Motors as of January 1, 1996, and which encourages companies to record expense for stock options and other stock-based employee compensation awards based on their fair value at date of grant, General Motors will continue to apply its current accounting policy under Accounting Principles Board Opinion No. 25 and will include the necessary disclosures in its 1996 financial statements.

Effective January 1, 1994, General Motors adopted SFAS No. 112, Employers' Accounting for Postemployment Benefits. SFAS No. 112 requires accrual of the costs of benefits provided to former or inactive employees after employment, but before retirement. The unfavorable cumulative effect of adopting SFAS No. 112, determined on a discounted basis, was $1,220.1 million ($758.1 million after-tax), or $751.3 million ($1.05 per share) attributable to $1 par value common stock and $6.8 million ($0.08 per share) attributable to GM Class H common stock. The non-cash charge is primarily related to General Motors' extended-disability benefit program in the U.S. which, under SFAS No. 112, will be accrued on a service-driven basis.

Also effective January 1, 1994, General Motors adopted SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, which resulted in a $241.0 million after-tax increase in stockholders' equity. SFAS No. 115 requires the recording at fair value of debt securities that are not expected to be held to maturity and equity securities that have a readily determinable fair value. The primary effect of SFAS No. 115 on General Motors relates to debt securities held by a subsidiary of GMAC and certain equity securities. Marketable securities, other than certain securities held by GMAC, and its subsidiaries (and described in Note 22), are considered available for sale; $812.6 million mature within one year, $417.2 million mature in two to five years, and a substantial amount of the remaining $40.6 million matures after 10 years.

Consolidation Policy

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Universal Corporation

We have audited the accompanying consolidated balance sheets of Universal Corporation and subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 30, 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 accompanying 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 Universal Corporation and subsidiaries at June 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1, the Company's consolidated financial statements for 1994 and 1993 have been restated to adopt the consolidation method of accounting for its African operations. As discussed in Note 9 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions in fiscal year 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts are in thousands, except as otherwise noted)

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

Principles of Consolidation
The financial statements include the accounts of all controlled domestic and foreign subsidiaries. All material intercompany items and transactions have been eliminated. The fiscal years of foreign subsidiaries generally end March 31 or April 30 to facilitate timely reporting. The Company uses the equity method of accounting for its investments in affiliates which generally are owned less than 50%.

Effective fiscal year 1995, the Company consolidated the results of affiliates located in Malawi and Zimbabwe into its financial statements. After changes in local governmental policies, the Company can now exercise greater control over operations including the remittance of dividends. Prior to fiscal 1995, affiliates located in Malawi were accounted for under the equity method and affiliates in Zimbabwe under the cost method. Financial data for all prior periods presented has been restated to reflect the consolidation. Before the effects of consolidation, consolidated net income for the years ended June 30 was as follows:

	1995	1994	1993
Net income	$23,768	$9,158	$80,242
Earnings per share	$ .68	$ .26	$ 2.39

Note 9 (In Part): Postretirement Benefits

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 fiscal year 1994.

EMPHASIS OF A MATTER

Paragraph 19 of *Statement on Auditing Standards No. 58,* as amended by *SAS No. 79,* states:

19. In any report on financial statements, the auditor may emphasize a matter regarding the financial statements. Such explanatory information should be presented in a separate paragraph of the auditors' report. Phrases such as "with the foregoing [following] explanation "should not be used in the opinion paragraph if an emphasis paragraph is included in the auditors' report. Emphasis paragraphs are never required; they may be added solely at the auditors' discretion. Examples of matters the auditor may wish to emphasize are—

- That the entity is a component of a larger business enterprise.
- That the entity has had significant transactions with related parties.
- Unusually important subsequent events.
- Accounting matters, other than those involving a change or changes in accounting principles, affecting the comparability of the financial statements with those of the preceding period.

The auditors' reports for 12 survey companies included explanatory information emphasizing a matter regarding the financial statements. Five of these explanatory information disclosures related to fresh start reporting.

Examples of explanatory information emphasizing a matter regarding the financial statements follow.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
The LTV Corporation

We have audited the accompanying consolidated balance sheets of The LTV Corporation ("the Company") as of December 31, 1995 and 1994, and the related consolidated statements of income and cash flows for the years ended December 31, 1995 and 1994, and the six months ended December 31 and June 30, 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.

As more fully described in the Summary of significant Accounting Policies and Company Reorganization notes to consolidated financial statements, effective June 28, 1993, the Company emerged from bankruptcy. In accordance with an American Institute of Certified Public Accountants' Statement of Position, the Company has adopted "fresh start" reporting whereby its assets, liabilities and new capital structure have been adjusted to reflect estimated fair values as of June 30, 1993. As a result, the consolidated financial statements for periods subsequent to June 30, 1993, reflect this basis of reporting and are not necessarily comparable to the Company's pre-reorganization consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The LTV Corporation at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for the years ended December 31, 1995 and 1994, and the six months ended December 31 and June 30, 1993, in conformity with generally accepted accounting principles.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Basis of Presentation

LTV adopted "fresh start" reporting in which the Company's assets and liabilities were adjusted to reflect their estimated fair values and the remaining accumulated deficit was eliminated, resulting in a new reporting entity as of June 30, 1993. Accordingly, the Company's con-

solidated financial statements prior to June 30, 1993 are not necessarily comparable to consolidated financial statements presented subsequent to that date. A vertical line has been placed on the consolidated financial statements to distinguish between pre-reorganization and post-reorganization activity. Certain prior year amounts have been reclassified to conform with the current year presentation.

Company Reorganization

The Company filed petitions for bankruptcy under Chapter 11 of the Bankruptcy Code in July 1986 and, until June 28, 1993, operated under the protection of the Bankruptcy Court. While in Chapter 11 proceedings, the Company experienced certain financial flexibility including a significant reduction in pension contributions, relief from paying certain prepetition obligations, and the earning of substantial interest income on cash balances. These benefits were partially offset by higher professional fees and expenses.

The Company's emergence from Chapter 11 proceedings was accomplished through a series of mutually dependent transactions and agreements. The Joint Plan provided for, among other things, recoveries for certain creditors that included cash, shares of newly issued LTV Common Stock, Series A Warrants and a variety of other assets. Special agreements were negotiated in order to satisfy certain claims, including, among others, the PBGC Agreement regarding the amount and the timing of funding of LTV's restored pension plans, the Environmental Settlement Agreement and the Federal Tax Agreement.

Claims and liabilities totalling $5.745 billion on June 28, 1993 were discharged for consideration of $1.555 billion in cash, $52 million in other assets, and the issuance of LTV Common Stock and Series A Warrants. A nontaxable extraordinary gain of $3.928 billion was recorded on this debt discharge because the consideration was less than the recorded liabilities. Certain prepetition claims and liabilities, the most significant of which was the Company's obligation for the restored pension plans, were not discharged as part of the Joint Plan and were reclassified to their respective consolidated balance sheet accounts.

Reorganization items recognized on the consolidated statement of income of $30.7 million in the six months ended June 30, 1993 consist of a $1.002 billion increase to allowed claims for pension plans in excess of recorded amounts, a $1.143 billion net gain on fair value adjustments to the Company's assets and liabilities, $132.6 million of professional fees and expenses and $22.3 million of interest earned on accumulated cash.

LTV's financial advisors assisted the Company and the Bankruptcy Court in determining the reorganization value and the resulting beginning equity value. In determining the overall reorganization value, the trading value of comparable U.S. integrated steel companies (adjusted for long-term obligations) was the major factor utilized. This method was used due to the highly cyclical nature of the steel industry and was viewed as providing a more accurate estimate than would have been provided through the use of a discounted cash flow analysis or other methodologies. Adjustments to reflect the fair value of individual assets and liabilities were based on independent reviews and valuations, discounted cash flows, actuarial valuations and other studies.

The portion of reorganization value not attributable to specific tangible or identified intangible assets had been reflected as an intangible asset which totaled $267.7 million at June 30, 1993. The intangible asset was reduced to zero during 1995 by the realization of pre-reorganization tax benefits and amortization.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Lynch Corporation

We have audited the accompanying consolidated balance sheets of Lynch Corporation and subsidiaries ("Lynch Corporation") as of December 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 December 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 did not audit the financial statements of Central Products Company, a wholly-owned subsidiary of Spinnaker Industries, Inc. (an 83% owned subsidiary of Lynch Manufacturing, a wholly-owned subsidiary of Lynch Corporation), which statements reflect total assets of $94,492,000 as of December 31, 1995 and total revenues of $30,581,000 for the three month period ended December 31, 1995 and the financial statements of The Morgan Group, Inc. and subsidiaries, a subsidiary in which the Company has a 64% voting interest, which statements reflect total assets of $30,796,000 and $28,978,000 as of December 31, 1995 and 1994, respectively and total revenues of $122,303,000 and $101,880,000 for the years then ended and the financial statements of Coronet Communications Company and Capital Communications Company, Inc. (corporations in which the Company has a 20% and 49% interest, respectively). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for Central Products Company, The Morgan Group, Inc. and subsidiaries, Coronet Communications Company and Capital Communications Company, Inc., is based solely on the reports of the other auditors.

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

Since the date of completion of our audit of the accompanying financial statements and initial issuance of our report thereon dated February 29, 1996, which report

contained an explanatory paragraph regarding the Company's ability to continue as a going concern, the Company, as discussed in Note 6, has completed a debt financing arrangement to refinance the $25 million subordinated notes on a long-term basis. Therefore, the conditions that raised substantial doubt about whether the Company will continue as a going concern no longer exist.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lynch Corporation and subsidiaries at December 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 December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1994 the Company changed its method of accounting for marketable securities.

As discussed in Note 9 to the financial statements, in 1993 the Company changed its method of accounting for income taxes.

February 29, 1996, except for Note 6,
as to which the date is April 8, 1996

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Waxman Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Waxman Industries, Inc. and Subsidiaries (the Company) as of June 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and the cash flows for each of the three years in the period ended June 30, 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.

As discussed in Notes 2 and 8, the terms of the Senior Secured Notes provide for a mandatory sinking fund payment of $17 million on September 1, 1996. Management's current projections indicate that there will not be sufficient cash flow from operations to fund that obligation. Management currently expects that proceeds from the proposed sale of its Consumer Products business will be used to retire the Senior Secured Notes, thereby eliminating the sinking fund payment.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waxman Industries, Inc. and Subsidiaries as of June 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

As explained in Note 4 to the consolidated financial statements, effective July 1, 1992, the Company changed its method of accounting for certain warehousing and catalog costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Management Plans:

In August 1995, the Company announced its decision to sell its Consumer Products business in order to enhance the Company's capital structure and allow the Company to focus on its fast growing Barnett mail order and telemarketing business. Consumer Products markets and distributes its products to mass merchandisers and large D-I-Y retailers while Barnett's focus is directed primarily to repair and remodeling contractors and independent retailers. The Company anticipates that the proceeds from any such sale will be used, in part, to retire its $39.2 million of Senior Secured Notes due September 1998 thereby eliminating the mandatory sinking fund requirements of $17.0 million on each of September 1, 1996 and September 1, 1997.

In furtherance of such decision, the Company has entered into a letter of intent which contemplates the sale of the Consumer Products business, together with certain supporting operations, to a group consisting of HIG Capital Management of Miami, Florida along with certain members of Consumer Products' existing management team for an aggregate cash purchase price of $50 million plus other consideration which will give the Company a 25% economic interest in Consumer Products on a going forward basis. The Company expects that it will account for any remaining interest under the cost method as the interest it will retain will not allow it to exercise significant influence over Consumer Products in the future. Such letter of intent, however, contains certain contingencies including a financing contingency. In connection with such sale, the Company intends to repay the portion of its secured credit facility and term loan which relates to Consumer Products and refinance the remaining balance using proceeds from a new secured credit facility the terms of which are currently being negotiated.

Although the Company has not reached an agreement with the prospective buyer on all terms, the Company currently believes that it will be able to consummate this transaction. It is, however, the Company's intention to continue pursuing the sale of Consumer Products in the event that this transaction is not completed. In the event that a sale of Consumer Products is not consummated, the Company will have to obtain a significant infusion of funds either through additional debt refinancing transactions or the sale of equity and/or assets.

8. Senior Secured Notes:

In September 1991, the Company completed a private placement of $50 million of 7-year Senior Secured Notes (the "Senior Secured Notes"), including detachable warrants to purchase 1 million shares of the Company's common stock (the "Warrants"). At the time of issuance, the Senior Secured Notes included $42.5 million of

12.25% fixed rate notes and $7.5 million of floating rate notes with interest at 300 basis points over the 90 day LIBOR rate. The Senior Secured Notes are redeemable in whole or in part, at the option of the Company, after September 1, 1993 at a price of 107.35% for the fixed rate notes and 103% for the floating rate notes. The redemption prices decrease annually to 100% of the principal amounts at September 1, 1996. Annual mandatory redemption payments of $14.45 million for the fixed rate notes, and $2.55 million for the floating rate notes are due on September 1, 1996 and September 1, 1997 and are calculated to retire 68% of the principal amount of the Senior Secured Notes prior to maturity. As discussed in Note 2, the Company anticipates that the proceeds from any sale of Consumer Products will be used, in part, to retire the Senior Secured Notes thereby eliminating the mandatory sinking fund requirements. As such, the Senior Secured Notes are classified as current in the accompanying balance sheet as of June 30, 1995. The Company expects to incur an extraordinary charge upon the early retirement of these notes which primarily will represent the accelerated amortization of unamortized debt issuance costs which were $2.0 million at June 30, 1995. The Senior Secured Notes, which are secured by a pledge of all of the outstanding stock of Barnett Consumer Products and WOC, are senior in right of payment to all subordinated indebtedness and pari passu with all other senior indebtedness of the Company.

The Warrants are exercisable through September 1, 1996, at a price of $4.60 per share. A portion of the proceeds of the private placement was allocated to the Warrants and, as a result, paid-in capital increased by $1 million in fiscal year 1992. The related $1 million reduction in the recorded principal amount of the Senior Secured Notes is being amortized as interest expense over the life of the Senior Secured Notes.

The Senior Secured Note indenture contains various covenants, including dividend restrictions and minimum operating cash flow requirements. The operating cash flow covenant requires a minimum ratio of operating cash flow to interest expense of 1.1 to 1.0 (the Company's actual ratio for fiscal 1995 was approximately 1.2 to 1.0). For purposes of calculating this ratio, operating cash flow is calculated based on the results of continuing operations only and interest expense excludes any non-cash interest relating to the Company's Deferred Coupon Notes.

During November 1993 and May 1994, the Company completed solicitations of consents from the holders of the Senior Secured Notes which, among other things, amended the net worth and certain other financial covenants and permitted the completion of the Corporate Restructuring and eliminated any prospective defaults resulting from the adverse results and events relating to the Company's discontinued Canadian operations.

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. Paragraph 20-62 of *SAS No. 58,* as amended by *SAS No. 79,* 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 65-74 of *Statement on Auditing Standards No. 58,* as amended by *SAS No. 79,* 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

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of Dover Corporation:

We have audited the accompanying consolidated balance sheet of Dover Corporation and subsidiaries as of December 31, 1995 and the related consolidated statements of earnings, 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 those financial statements based on our audit. The consolidated financial statements of Dover Corporation and subsidiaries as of December 31, 1994 and 1993, were audited by other auditors whose report dated February 22, 1995 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 1995 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dover Corporation and subsidiaries at December 31, 1995, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of IBP, inc.

We have audited the accompanying consolidated balance sheet of IBP, inc. and subsidiaries as of December 30, 1995, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of IBP, inc. and subsidiaries for the years ended December 31, 1994, and December 25, 1993, were audited by other auditors, whose report, dated February 3, 1995, included an explanatory paragraph that described the change in the company's method of accounting for income taxes in 1993 as discussed in Note E to the consolidated financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IBP, inc. and subsidiaries as of December 30, 1995, 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 Stockholders
UNC Incorporated:

We have audited the accompanying consolidated balance sheets of UNC Incorporated and Subsidiaries as of December 31, 1995 and 1994 and the related consolidated statements of earnings, cash flows and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of UNC Incorporated and Subsidiaries as of December 31, 1993 and for the year then ended, were audited by other auditors, whose report, dated February 9, 1994, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 1995 and 1994 and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Predecessor Auditors' Report Reissued

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Fedders Corporation

We have audited the accompanying consolidated balance sheet of Fedders Corporation as of August 31, 1995, and the related consolidated statements of operations, cash flows and stockholders' equity for the year ended August 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fedders Corporation as of August 31, 1995, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Fedders Corporation

We have audited the accompanying consolidated balance sheet of Fedders Corporation as of August 31, 1994, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the two years in the period ended August 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 Fedders Corporation as of August 31, 1994 and the consolidated results of its operations and its cash flow for each of the two years in the period ended August 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 7 to the consolidated financial statements, in 1994 the Company changed its method of accounting for income taxes.

OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFORMATION

Table 6-5 shows that occasionally the auditors' reports issued in connection with the financial statements of the survey companies express an opinion on supplementary financial information to the basic financial statements.

TABLE 6-5: OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFORMATION

	Number of Companies			
	1995	1994	1993	1992
Financial statement schedules	29	32	34	29
Other	1	—	—	—

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders,
Acclaim Entertainment, Inc.

We have audited the accompanying consolidated balance sheets of Acclaim Entertainment, Inc. and Subsidiaries as of August 31, 1995 and 1994 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended August 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 Acclaim Entertainment, Inc. and Subsidiaries as of August 31, 1995 and 1994 and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 1995 in conformity with generally accepted accounting principles.

We have also audited financial statement schedule II of Acclaim Entertainment, Inc. and Subsidiaries for each of the years in the three-year period ended August 31, 1995. In our opinion, the financial statement schedule presents fairly, in all material respects, the information required to be set forth therein.

As described in Note 19, the Company and certain officers have been named as defendants in various class action claims, the outcome of which cannot presently be determined. Accordingly, no provision for any liability that might result upon the resolution of these matters has been made in the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Tandem Computers Incorporated:

We have audited the accompanying consolidated balance sheets of Tandem Computers Incorporated and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of operations, stockholders' investment, and cash flows for each of the three years in the period ended September 30, 1995. Our audits also include the financial statement schedule listed in the Index at Item 14(a)2. 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 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 Tandem Computers Incorporated and subsidiaries at September 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period

ended September 30, 1995, 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 taken as a whole, presents fairly in all material respects the information set forth therein.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Centex Corporation:

We have audited the accompanying consolidated balance sheets of Centex Corporation and subsidiaries as of March 31, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 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 financial position of Centex Corporation and subsidiaries as of March 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1995, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental balance sheet data of Centex Corporation and Financial Services are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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 54 survey companies used dual dating. Examples of dual dating follow.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Alco Standard Corporation

We have audited the accompanying consolidated balance sheets of Alco Standard Corporation and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended September 30, 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 consolidated financial position of Alco Standard Corporation and subsidiaries at September 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles.

October 17, 1995,
except for the stock split described
in Note 1, as to which the date is
November 9, 1995

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Stock Split
All common shares and per share amounts have been adjusted to give retroactive effect to a two-for-one stock split effected in the form of a stock dividend distributed on November 9, 1995 to holders of record on October 27, 1995.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Anthony Industries, Inc.

We have audited the accompanying consolidated balance sheets of Anthony Industries, Inc. and subsidiaries as of December 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 December 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 Anthony Industries, Inc. and subsidiaries at December 31, 1995 and 1994, and the consolidated results of their operation and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

February 16, 1996,
except for the first paragraph
of Note 2, as to which the
date is March 5, 1996

NOTES TO FINANCIAL STATEMENTS

Note 2 (In Part): Discontinued Operations

In October 1995, the Company signed a letter of intent to sell the assets and business of its swimming pool and motorized pool cover business ("Division") to General Aquatics, Inc. ("GAI"). As a result of the sale, the Division has been shown in the accompanying financial statements as a discontinued operation. The Company completed the sale on March 5, 1996. Consideration included a 5.6% subordinated note with a face value of approximately $6.2 million and approximately 9% of the outstanding common stock of GAI, a privately owned company. In addition, the Company received warrants to purchase additional shares upon the occurrence of certain conditions. The exercise of the warrants may be funded through the surrender of the unpaid portion of the note. The note is due at the end of five years. Additionally, GAI has agreed to assume certain liabilities of the Division. As required under GAAP, the note receivable was discounted to reflect a market rate and the common stock was valued at an estimated fair market value.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Baldor Electric Company and Affiliates

We have audited the accompanying consolidated balance sheets of Baldor Electric Company and affiliates as of December 30, 1995 and December 31, 1994, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended December 30, 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 Baldor Electric Company and affiliates at December 30, 1995 and December 31, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

February 2, 1996,
except for Note G,
as to which the date is
February 16, 1996

NOTES TO FINANCIAL STATEMENTS

Note G. Subsequent Events

On February 16, 1996, Baldor purchased 2,000,000 shares of its common stock from the estate of Mr. G. A. Schlock for $19.00 per share. This purchase was at a discount to the market and was funded with a mid-term bank loan.

At their February 5, 1996 meeting, the Board of Directors updated the shareholder rights plan by extending the expiration date to May 2008 and by modifying certain other plan definitions to make the plan more effective.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Burlington Industries, Inc.

We have audited the accompanying consolidated balance sheets of Burlington Industries, Inc. and Subsidiary Companies as of September 30, 1995 and October 1, 1994, and the related consolidated statements of operations and cash flows for each of the three years in the period ended September 30, 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 consolidated financial position of Burlington Industries, Inc. and Subsidiary Companies at September 30, 1995 and October 1, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note M to the consolidated financial statements, effective October 4, 1992, the Company changed its method of accounting for postretirement benefits other than pensions.

November 3, 1995,
except for Note F,
as to which the date
is November 8, 1995

NOTES TO FINANCIAL STATEMENTS

F (In Part): Long-term Debt

On November 8, 1995, the Company entered into a new $750.0 million unsecured Revolving Credit Facility ("1995 Bank Credit Agreement") which replaces in its entirety the Term Loan and Revolving Credit Facility under the 1994 Bank Credit Agreement. The new Facility matures March 31, 2001 and requires no amortization of principal. The new Agreement, described in detail in "Management's Discussion and Analysis of Results of Operations and Financial Condition," includes decreases in the Applicable Percentage and facility fee and increased flexibility under the affirmative and negative convenants contained in the 1994 Bank Credit Agreement.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Fleming Companies, Inc.

We have audited the accompanying consolidated balance sheets of Fleming Companies, Inc. and subsidiaries as of December 30, 1995 and December 31, 1994, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 30, 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, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fleming Companies, Inc. and subsidiaries as of December 30, 1995 and December 31, 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

February 22, 1995

(April 12, 1996 as to effects of a jury verdict, other resulting legal proceedings and related matters discussed in Subsequent Events note)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

The lawsuit filed in Johnson County, Texas (David's Supermarkets, Inc. v. Fleming Companies, Inc. ("David's"); see Litigation and Contingencies note) went to trial on February 19, 1996 and on March 14 and 15, 1996 the jury reached a verdict against the company. The company considered the claims to be without merit. However, following a four-week trial the jury found the company's disputed overcharges amounted to $2.8 million and rendered a verdict against the company. David's filed a motion for judgment on its claim for $207.5 million for violation of the Texas Deceptive Trade Practices Act ("DTPA") reserving the right to recover under any alternative theory supported by the verdict in the event the judgment on the DTPA theory is in any way modified or reversed on appeal.

On April 4, 1996, the company and its banks amended the company's credit agreement to increase the letter of credit subfacility in order for the company to obtain a supersedeas appeal bond. See Long-Term Debt note.

On April 12, 1996, plaintiff's motion for judgment was granted in the amount of $207.5 million plus pre-judgment interest of $3.7 million and post-judgment interest at the rate of 10% per annum. The company posted the bond immediately after the judgment was granted and will appeal the judgment.

The company posted the bond amount through arrangements with several sureties. The bond is secured by letters of credit which are supported by the bank credit agreement. The cost of the bond and letter of credit requirements, as well as attorney's fees, is expected to be approximately $3 million annually which will negatively impact future earnings.

Based on management's present assessment of the ultimate outcome, a charge of approximately $7 million is expected in the first quarter of 1996. In view of the large amount of the award, an unfavorable results from the appellate process would have a material adverse effect on the company. The appellate process may take up to three years, or longer.

In view of the large award in the David's litigation, assertions of similar allegations could occur in future or continuing litigation. Management is unable to predict the potential range of monetary exposure, if any, to the company. However, if successfully asserted, any unfavorable outcome could have a material adverse effect on the company.

On Marcy 28, 1996, the Board of Directors cut the quarterly cash dividend from $.30 per share to $.02 per share for the second quarter of 1996. The bank credit agreement amendment limits dividend payments beginning in the second quarter of 1996 to $.08 per share, per quarter. After considering the effect of the recently issued letters of credit related to the supersedeas bond, which are considered a use of the company's borrowing capacity, and the related bank credit agreement amendment, at year-end 1995 the company would have been allowed to borrow an additional $190 million. Management believes that the cash flows from operating activities and the company's ability to borrow under the amended bank credit agreement will be adequate to meet working capital needs, capital expenditures and other cash needs for the next twelve months. The company is currently in compliance with all covenants under the amended bank credit agreement.

Moody's and Standard & Poor's have placed the company's rated debt under review for possible downgrade and CreditWatch with negative implications, respectively, due in part to the uncertainties created by the judgment.

From the date of the jury verdict through April 12, 1996, the company and certain officers, including the chief executive officer, were named as defendants in three class action lawsuits filed by certain of its stockholders and one class action lawsuit filed by certain noteholders, each in the U.S. District Court for the Western District of Oklahoma, alleging the company failed to properly disclose and account for the David's litigation. The plaintiffs seek undetermined but significant damages. The company denies these allegations and intends to vigorously defend the actions. Management is unable to predict a potential range of monetary exposure, if any, to the company. However, an unfavorable outcome would have a material adverse effect on the company.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Hampton Industries, Inc.

We have audited the accompanying consolidated balance sheets of Hampton Industries, Inc. and subsidiaries as of December 30, 1995 and December 31, 1994, and the related consolidated statements of operations, shareholders' equity and cash flows for the years ended December 30, 1995, December 31, 1994 and December 25, 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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Hampton Industries, Inc. and subsidiaries as of December 30, 1995 and December 31, 1994 and the results of their operations and their cash flows for the years ended December 30, 1995, December 31, 1994 and December 25, 1993 in conformity with generally accepted accounting principles.

March 8, 1996
(April 12, 1996 as to Note E)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E (In Part): Long-Term Debt

(i) On December 30, 1995, the Company did not meet certain financial covenants contained in its existing agreement ("the Agreement"). The Agreement, last amended on March 1, 1996, provides for a line of credit ranging from $60,000,000 to $90,000,000 based on seasonal requirements. Borrowings bear interest at the London Interbank Offered Rate or the Prime Rate, at the option of the Company. Indebtedness under the Agreement is collateralized by all of the accounts receivable and inventory of the Company. The Agreement expires on October 1, 1996.

The Agreement contains financial covenants, including but not limited to, financial covenants related to borrowings, working capital, tangible net worth, cash flow and interest coverage. In addition, the Agreement restricts fixed asset purchases and does not allow for the payment of cash dividends. There is no requirement to maintain compensating balances under the Agreement, however, the Company is required to pay a fee of .5% of 1% per annum on the total commitment.

All of the bank indebtedness outstanding at December 30, 1995 has been classified as current.

On April 12, 1996, the Company received a commitment (the "New Facility") from a bank to refinance the bank indebtedness outstanding under its existing Agreement. The commitment is subject to a number of closing conditions. Management believes that such conditions will be satisfactorily met, however, there can be no assurance that the New Facility will close. The New Facility will provide for a maximum line of credit of $100,000,000 which will include both direct loans and letters of credit. Availability under the New Facility will be based on a formula of eligible accounts receivables and eligible inventory and will provide for a seasonal overadvance of up to $23,000,000 within the $100,000,000 maximum line of credit. Direct borrowings will bear interest at the London Interbank Offered Rate or the Prime Rate, at the option of the Company plus the applicable margin (as defined in the New Facility). Borrowings are collateralized by accounts receivable, inventory and general intangibles of the Company and its subsidiaries. The New Facility, if closed, will expire in April 1999.

The New Facility will contain financial covenants, including but not limited to, financial covenants relating to tangible net worth and interest coverage and will restrict fixed asset purchases and does not allow for the payment of cash dividends. There will be no requirement to maintain compensating balances, however, the Company will be required to pay a fee of .25% of 1% per annum on the unused portion of the total facility plus certain other administrative costs.

Upon the closing of the New Facility, approximately $7,750,000 of current bank debt will be reclassified to long-term debt.

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of James River Corporation of Virginia and Subsidiaries as of December 31, 1995, and December 25, 1994, and the related consolidated statements of operations, cash flows, and changes in capital accounts for each of the three fiscal years in the period ended December 31, 1995. These financial statements are the responsibility of the management of James River Corporation of Virginia. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of James River Corporation of Virginia and Subsidiaries as of December 31, 1995, and December 25, 1994, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

January 25, 1996, except as to the
information presented in Note 17,
for which the date is
January 30, 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Subsequent Events

On January 30, 1996, the Company signed a letter of intent to sell its specialty operations business to the Fonda Group, Inc. The specialty operations business, which is currently part of the Consumer Products Business, consists of a party goods business in Indianapolis, Indiana, a specialty tissue mill in Gouverneur, New York, and a foodservice specialties plant in Rancho Dominguez, California. On a combined basis, these three facilities have annual sales of approximately $125 million. In connection with this sale, James River will receive consideration totaling approximately $50 million, including cash and other securities. It is anticipated that the cash proceeds will be used to reduce long-term debt. This sale is subject to certain conditions including the execution of a definitive agreement and the receipt of certain approvals.

Also in January 1996, the Company completed the formation of a joint venture of its Handi-Kup foam cup operations with Benchmark Corporation of Delaware's WinCup foam cup operations. The Handi-Kup operations contributed to the joint venture included four foam cup plants, located in Corte Madera, California; Jacksonville, Florida; Metuchen, New Jersey and West Chicago, Illinois. James River received consideration of $26 million of cash and short-term notes, approximately $10 million face value of subordinated long-term notes and a 45% minority interest in the joint venture. Proceeds from this transaction will be used to reduce long-term debt.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Lowe's Companies, Inc.

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries as of January 31, 1996, 1995 and 1994, and the related consolidated statements of current and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Lowe's Companies, Inc. and subsidiaries at January 31, 1996, 1995 and 1994, and the results of their operations and their cash flows for the fiscal years then ended in conformity with generally accepted accounting principles.

February 20, 1996
(March 4, 1996 as to the
fourth paragraph of Note 14)

NOTES TO FINANCIAL STATEMENTS

Note 14 (In Part): Commitments, Contingencies and Litigation

On March 4, 1996, a state government agency in one of the states where the Company conducts business publicized that under certain conditions, imported plastic mini-blinds of the type sold by the Company may create a lead poisoning hazard for young children. The Company has sold blinds of this type for about ten years. Lowe's is in contact with the Consumer Products Safety Commission, and is awaiting results of further testing of this product being conducted by the state agency. It is too early in this process for the Company to determine whether or not there is any significant potential loss or liability to the Company. Therefore, no accounting provision for any potential loss under adverse circumstances related to this publicized matter has been made in the 1995 financial statements.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Seagate Technology

We have audited the accompanying consolidated balance sheets of Seagate Technology and subsidiaries as of June 30, 1995 and July 1, 1994, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended June 30, 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 postion of Seagate Technology and subsidiaries at June 30, 1995 and July 1, 1994, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

July 11, 1995, except for the
last paragraph of the patent
litigation note as to which
the date is July 31, 1995

NOTES TO FINANCIAL STATEMENTS

Patent Litigation (In Part):

In May 1995, Personal Computer Peripherals Corporation ("PCPC") filed a complaint against one of the Company's newly acquired subsidiaries, Palindrome Corporation, and a number of other unrelated defendants, alleging infringement of U.S. Patent No. 5,133,066. The patent relates to a computer program for backing up data and program files on computer network systems. On July 31, 1995, without the Company having answered the PCPC complaint, PCPC voluntarily dismissed the patent infringement action against Palindrome without prejudice.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors of
TransTechnology Corporation:

We have audited the accompanying consolidated balance sheets of TransTechnology Corporation and subsidiaries as of March 31, 1995 and 1994 and the related statements of consolidated operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1995. 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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1995 in conformity with generally accepted accounting principles.

June 20, 1995 (June 30, 1995 as to Note 11)

NOTES TO FINANCIAL STATEMENTS

11. Subsequent Events

On June 30, 1995 the Company acquired the Seeger Group of companies from a unit of AB SKF of Gothenburg, Sweden for approximately $43,000,000 plus the assumption of trade debts and accrued expenses. Financing for the transaction was provided through a new $115,000,000 credit facility provided by a bank.

The credit facility, structured as a $25,000,000, 7 year term loan, a $50,000,000, 4.5 year term loan, a $34,000,000 revolving credit facility, and $6,000,000 of international lines of credit, is secured by all of the assets of the Company and its subsidiaries. Interest rates are tied to either Prime or LIBOR with a margin depending upon the Company's achievement of certain operating and financial goals. The facility limits the Company's ability to pay dividends to 25% of net income and restricts capital expenditures to $6,500,000 for the fiscal year ending March 31, 1996, and $7,000,000 thereafter for the life of the loan, as well as containing other customary financial covenants.

Proceeds from the new credit facility were also used to retire the Company's existing bank debt.

REPORTS OF AUDIT COMMITTEE AND MANAGEMENT

Fourteen survey companies presented a Report of An Audit Committee and 359 survey companies presented a Report of Management. Examples of such reports follow.

Reports Of Audit Committee

ABBOTT LABORATORIES

REPORT OF AUDIT COMMITTEE

Audit Committee Chairman's Report
The Audit Committee of the Board of Directors is composed of six non-employee directors. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee held two meetings during 1995. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent public accountants. The Audit Committee discussed with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. During the Audit Committee meetings the Committee met with the internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

Chairman, Audit Committee

STEWART & STEVENSON SERVICES, INC.

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is composed of three non-employee directors. The Committee held six meetings during Fiscal 1995.

The Audit Committee oversees the Company's Financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the Committee recommended to the Board of Directors the selection of the Company's independent public accountants. The Audit Committee meets with the internal auditors and the independent public accountants to discuss the overall scope and specific plans for their respective audit activities. The Company's consolidated financial statements and internal controls are reviewed by the Committee for adequacy. Regular meetings were held with the Company's internal auditors and independent public accountants to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting process. These meetings were designed to facilitate private communication between the Committee and the internal auditors and/or independent public accountants.

Chairman, Audit Committee

Reports Of Management

LIZ CLAIBORNE, INC.

MANAGEMENT'S REPORT

The management of Liz Claiborne, Inc. is responsible for the preparation, objectivity and integrity of the consolidated financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include some amounts that are based on management's informed judgments and best estimates.

To help assure that financial information is reliable and assets are safeguarded, management maintains a system of internal controls and procedures which it believes is effective in accomplishing these objectives. These controls and procedures are designed to provide reasonable assurance, at appropriate costs, that transactions are executed and recorded in accordance with management's authorization.

The independent public accountants have audited the Company's consolidated financial statements as described in their report. In the course of their audits, the independent public accountants have developed an overall understanding of the Company's accounting and financial controls and have conducted other tests as they considered necessary to support their opinion on the financial statements. The independent public accountants report their findings and recommendations to management and the Audit Committee of the Board of Directors. Control procedures are implemented or revised as appropriate to respond to these recommendations. There have not been any material control weaknesses brought to the attention of management or the Audit Committee during the periods covered by the report of the independent public accountants. However, in as much as the independent public accountants' audits consisted of selected tests of control policies and procedures and did not cover the entire system of internal control, they would not necessarily disclose all weaknesses which might exist.

The Audit Committee, which consists solely of nonmanagement directors, meets with the independent public accountants, internal auditors and management periodically to review their respective activities and the discharge of their respective responsibilities. Both the independent public accountants and the internal auditors have free access to the Audit Committee, with or without management, to discuss the scope and results of their audits and any recommendations regarding the system of internal controls.

President and Chief
Executive Officer

Senior Vice President-Finance,
Chief Financial Officer

DELUXE CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and related information are the responsibility of management. They have been prepared in conformity with generally accepted accounting principles and include amounts that are based on our best estimates and judgments under the existing circumstances. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains internal accounting control systems that are adequate to provide reasonable assurance that the assets are safeguarded from loss or unauthorized use. These systems produce records adequate for preparation of financial information. We believe the Company's systems are effective, and the cost of the systems does not exceed the benefits obtained.

The audit committee has reviewed all financial data included in this report. The audit committee is composed entirely of outside directors and meets periodically with the internal auditors, management, and the independent public accountants on financial reporting matters. The independent public accountants have free access to meet with the audit committee, without the presence of management, to discuss their audit results and opinions on the quality of financial reporting.

The role of independent public accountants is to render an independent, professional opinion on management's consolidated financial statements to the extent required by generally accepted auditing standards.

Deluxe recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct. It has distributed to all employees a statement of its commitment to conducting all Company business in accordance with the highest ethical standards.

President and
Chief Executive Officer

Senior Vice President and
Chief Financial Officer

FIRST BRANDS CORPORATION

REPORT OF MANAGEMENT

The management of First Brands Corporation is responsible for the financial and operating information contained in the Annual Report including the financial statements covered by the independent auditors' report. These statements were prepared in conformity with United States generally accepted accounting principles and include, where necessary, informed estimates and judgments.

The Company maintains systems of accounting and internal control designed to provide reasonable assurance that assets are safeguarded against loss, and that transactions are executed and recorded properly so as to ensure that the financial records are reliable for preparing financial statements.

Elements of these control systems are the establishment and communication of accounting and administrative policies and procedures, the selection and training of qualified personnel, and continuous programs of internal audits.

The Company's financial statements are reviewed by its Audit Committee, which is composed entirely of nonemployee Directors. This Committee meets periodically with the independent auditors, management, and the corporate internal auditor to review the scope and results of the annual audit, interim reviews, internal controls, internal auditing, and financial reporting matters. The independent auditors and the corporate internal auditor have direct access to the Audit Committee.

President and
Chief Executive Officer

Senior Vice President and
Chief Financial Officer

FMC CORPORATION

MANAGEMENT REPORT ON FINANCIAL STATEMENTS

The consolidated financial statements and related information have been prepared by management, which is responsible for the integrity and objectivity of that information. Where appropriate, they reflect estimates based on judgments of management. The statements have been prepared in conformity with accounting principles generally accepted in the United States and are generally consistent with standards issued by the International Accounting Standards Committee. Financial information included elsewhere in this annual report is consistent with that contained in the consolidated financial statements.

FMC maintains a system of internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition which is designed to provide reasonable assurance as to the reliability of financial records and the safeguarding of such assets. The system is maintained by the selection and training of qualified personnel, by establishing and communicating sound accounting and business policies, and by an internal auditing program that constantly evaluates the adequacy and effectiveness of such internal controls, policies and procedures.

The Audit Committee of the Board of Directors, composed of directors who are not officers or employees of the company, meets regularly with management, with the company's internal auditors, and with its independent auditors to discuss their evaluation of internal accounting controls and the quality of financial reporting. Both independent auditors and the internal auditors have free access to the Audit Committee to discuss the results of their audits.

The company's independent auditors have been engaged to render an opinion on the consolidated financial statements. They review and make appropriate tests of the data included in the financial statements. As independent auditors, they also provide an objective, outside review of management's performance in reporting operating results and financial condition.

Executive Vice President
and Chief Financial Officer

Vice President and Controller

JACOBS ENGINEERING GROUP INC.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated financial statements and other information included in this annual report have been prepared by management, which is responsible for their fairness, integrity, and objectivity. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior years and contain some amounts that are based upon management's best estimates and judgment. The financial information contained elsewhere in this report has been prepared in a manner consistent with the preparation of the financial statements.

In meeting its responsibility for the fair presentation of the Company's financial statements, management necessarily relies on the Company's system of internal accounting controls. This system is designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed in accordance with management's instructions and are properly recorded in the Company's books and records. The concept of reasonable assurance is based on the recognition that in any system of internal controls, there are certain inherent limitations and that the cost of such systems should not exceed the benefits to be derived. We believe the Company's system of internal accounting controls is cost-effective and provides reasonable assurance that material errors and irregularities will be prevented, or detected and corrected on a timely basis.

The Company's consolidated financial statements have been audited by independent auditors, whose report thereon was based on examinations conducted in accordance with generally accepted auditing standards and is presented on the preceding page. As part of their audit, the independent auditors perform a review of the Company's system of internal accounting controls for the purpose of determining the amount of reliance to place on those controls relative to the audit tests they perform.

The Company's Board of Directors, through its Audit Committee which is composed entirely of nonemployee directors, meets regularly with both management and the independent auditors to review the Company's financial results and to ensure that both management and the independent auditors are properly performing their respective functions.

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-ninth (1995) edition. 25 companies in the 1995 edition have been eliminated and their numbers left unused. These 25 companies were replaced by 5 companies included in certain prior editions but not the 1995 edition, and 20 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*	
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
39	*FINA, Inc.*	12
41	American Standard Companies Inc.	12
42	American Stores Company	1

Co. No.		*Month in which fiscal year ends
43	*AT & T Corp.*	12
44	Ameron, Inc.	11
	Amgen Inc.—*see 841*	
45	Amoco Corporation	12
46	Ampco-Pittsburgh Corporation	12
	Amphenol Corporation—*see 842*	
	Anacomp, Inc.—*see 696*	
48	Analogic Corporation	7
51	Anheuser-Busch Companies, Inc.	12
	Anthony Industries, Inc.—*see 737*	
52	Apple Computer, Inc.	9
	Arcadian Corporation—*see 843*	
53	Archer Daniels Midland Company	6
54	Arden Group, Inc.	12
56	Armco Inc.	12
57	Armstrong World Industries, Inc.	12
	Arrow Electronics, Inc.—*see 844*	
59	Arvin Industries, Inc.	12
60	Ashland 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*	
	C.R. Bard, Inc.—*see 845*	
	Barnes Group Inc.—*see 605*	
	Bassett Furniture Industries Incorporated—*see 606*	
74	Bausch & Lomb Incorporated	12
75	Baxter International Inc.	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Beckman Instruments, Inc.—*see 846*	
78	Becton, Dickinson and Company	9
79	Belding Heminway Company, Inc.	12
81	Bemis Company, Inc.	12
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
90	Borg-Warner Security Corporation	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
	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
	CalMat Co.—*see 608*	
110	Campbell Soup Company	7
	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*	
130	Cleveland-Cliffs Inc.	12
131	The Clorox Company	6
132	The Coastal Corporation	12
133	The Coca-Cola Company	12
	Coca-Cola Enterprises Inc.—*see 660*	
	Coherent, Inc.—*see 742*	
135	Colgate-Palmolive Company	12
137	Collins Industries, Inc.	10
	Coltec Industries Inc.—*847*	

Co. No.		*Month in which fiscal year ends
140	Commerical Metals Company	8
	Compaq Computer Corporation—*see 661*	
	Computer Sciences Corporation—*see 848*	
142	ConAgra, Inc.	5
143	Concord Fabrics Inc.	8
144	Consolidated Papers, Inc.	12
145	*Ceridian Corporation*	12
146	Cooper Industries, Inc.	12
	Cooper Tire & Rubber Company—*see 849*	
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*	
	DIMON Incorporated—*see 782*	
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*	
173	Digital Equipment Corporation	6
	Dillard Department Stores, Inc.—*see 850*	
174	The Walt Disney Company	9
	Dixie Yarns, Inc.—*see 665*	
	Dole Food Company, Inc.—*see 112*	
	Donaldson Company, Inc.—*see 744*	
175	R. R. Donnelley & Sons Company	12
176	Dover Corporation	12
177	The Dow Chemical Company	12
178	Dow Jones & Company, Inc.	12
180	Dravo Corporation	12
181	Dresser Industries, Inc.	10
182	The Dun & Bradstreet Corporation	12
183	Duplex Products Inc.	10
184	E.I. duPont de Nemours and Company	12
	Duracell International Inc.—*see 799*	
	The Duriron Company, Inc.—*see 666*	
186	Dynamics Corporation of America	12
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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Ekco Group, Inc.—*see 115*	
194	Elcor Corporation	6
195	Emerson Electric Co.	9
198	Engelhard Corporation	12
199	Ethyl Corporation	12
202	Exxon Corporation	12
	FINA, Inc.—*see 39*	
203	FMC Corporation	12
	The Fairchild Corporation—*see 656*	
205	Fansteel, Inc.	12
	Farr Company—*see 705*	
206	Fedders Corporation	8
208	Federal-Mogul Corporation	12
	Federal Screw Works—*see 747*	
209	Federated Department Stores, Inc.	1
	Ferro Corporation—*see 800*	
	Fieldcrest Cannon, Inc.—*see 619*	
	Figgie International Inc.—*see 706*	
	First Brands Corporation—*see 783*	
	First Data Corporation—*see 851*	
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 Health 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*	
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
236	General Instrument Corporation	12
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 BF Goodrich Company	12
249	The Goodyear Tire & Rubber Company	12
251	Goulds Pumps, Incorporated	12
252	W.R. Grace & Co.	12
253	W.W. Grainger, Inc.	12
254	The Great Atlantic & Pacific Tea Company, Inc.	2

Co. No.		*Month in which fiscal year ends
256	Greif Bros. Corporation	10
257	*The Dial Corp.*	12
	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
	Harrah's Entertainment, Inc.—*see 829*	
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
281	Honeywell Inc.	12
282	Hormel Foods Corporation	10
	Hudson Foods, Inc.—*see 852*	
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 Global, Inc.—*see 752*	
291	ITT Corporation	12
	Illinois Tool Works Inc.—*see 625*	
	Imo Industries Inc.—*see 785*	
292	Ingersoll-Rand Company	12
293	Inland Steel Industries, Inc.	12
294	Insilco Corporation	12
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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
	Johnson Industries, Inc.—*see 786*	
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*	
318	Kelly Services, Inc.	12
319	Kerr Group, Inc.	12
320	Kerr-McGee Corporation	12
321	Kevlin Corporation	5
322	Keystone Consolidated Industries, Inc.	12
	Kimball International, Inc.—*see 853*	
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*	
	Lance, Inc.—*see 854*	
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
	Lukfin Industries, Inc.—*see 714*	
347	Lukens Inc.	12
348	Lynch Corporation	12
	Lyondell Petrochemical Company—*see 757*	
350	MAPCO Inc.	12
	MagneTek, Inc.—*see 758*	
	Manpower Inc.—*see 855*	
357	*Schuller Corporation*	12
	Mark IV Industries, Inc.—*see 759*	
358	Marriott International, Inc.	12
360	Masco Corporation	12
361	Mattel, Inc.	12
	Maxtor Corporation—*see 809*	
	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	The McGraw-Hill Companies, 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
	Michael Foods, Inc.—*see 856*	
	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
	Mohawk Industries, Inc.—*see 857*	
	Molex Incorporated—*see 716*	
383	Monsanto Company	12
385	Morton International, Inc.	6
386	Mosinee Paper Corporation	12
387	Motorola, Inc.	12
389	Munsingwear, Inc.	12
390	Murphy Oil Corporation	12
	NACCO Industries, Inc.—*see 403*	
	NIKE, Inc.—*see 401*	
	Nalco Chemical Company—*see 803*	
	Nashua Corporation—*see 761*	
396	*FoxMeyer Health 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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
414	Outboard Marine Corporation	9
415	Owens Corning	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
435	Pfizer Inc.	12
	Pharmacia & Upjohn, Inc.—*see 569*	
436	Phelps Dodge Corporation	12
437	Philip Morris Companies Inc.	12
438	Phillips Petroleum Company	12
	Phillips-Van Heusen Corporation—*see 634*	
	Photo Control Corporation—*see 686*	
440	Pioneer Hi-Bred International, Inc.	8
441	Pitney Bowes Inc.	12
	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
	Praxair, Inc.—*see 828*	
	Premark International, Inc.—*see 635*	
450	Premier Industrial Corporation	5
451	The Procter & Gamble Company	6
	Publix Super Markets, Inc.—*see 636*	
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*	
	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*	

Co. No.		*Month in which fiscal year ends
474	Rymer Foods Inc.	10
	SCI Systems, Inc.—*see 793*	
475	*Harmon Industries, Inc.*	12
477	SPS Technologies, Inc.	12
	SPX Corporation—*see 642*	
	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
	Schuller Corporation—*see 357*	
	Scientific Industries, Inc.—*see 765*	
484	Scope Industries	6
	The Scotts Company—*see 833*	
	Seaboard Corporation—*see 858*	
	Seagate Technology—*see 687*	
486	Sears, Roebuck and Co.	12
	Sequa Corporation—*see 519*	
487	Service Corporation International	12
	Shaw Industries, Inc.—*see 643*	
490	The Sherwin-Williams Company	12
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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
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
	United HealthCare Corporation—*see 859*	
559	United Merchants and Manufacturers, Inc.	6
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	*Pharmacia & Upjohn, Inc.*	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*	
	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 Atlas Inc.—*see 860*	
	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
617	*Ecolab 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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
636	*Publix Super Markets, 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
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.*	12
713	*The Lamson & Sessions Co.*	12
714	*Lufkin Industries, 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
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 Global, 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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
762	*Plasma-Therm, Inc.*	11
763	*Rawson-Koenig, Inc.*	12
764	*Robbins & Myers, Inc.*	8
765	*Scientific Industries, Inc.*	6
766	*Southdown, Inc.*	12
767	*Standex International Corporation*	6
768	*Stewart & Stevenson Services, Inc.*	1
769	*Sun Microsystems, Inc.*	6
770	*The TJX Companies, Inc..*	1
771	*Thomas & Betts Corporation*	12
772	*Toys "R" Us, Inc.*	1
773	*Tyco 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	*DIMON 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
798	*The Dexter Corporation*	12
799	*Duracell International Inc.*	6
800	*Ferro Corporation.*	12
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
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
823	*Furon Company*	1
824	*Louisiana-Pacific Corporation*	12
825	*Microsoft Corporation.*	6
826	*Northwestern Steel and Wire Company.*	7
828	*Praxair, Inc.*	12
829	*Harrah's Entertainment, 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 ADDED FOR 1996 EDITION

Co. No.		*Month in which fiscal year ends
841	*Amgen Inc.*	12
842	*Amphenol Corporation*	12
843	*Arcadian Corporation*	12
844	*Arrow Electronics, Inc.*	12
845	*C.R. Bard, Inc.*	12
846	*Beckman Instruments, Inc..*	12
847	*Coltec Industries Inc.*	12
848	*Computer Sciences Corporation*	3
849	*Cooper Tire & Rubber Company*	12
850	*Dillard Department Stores, Inc.*	1
851	*First Data Corporation*	12
852	*Hudson Foods, Inc.*	9
853	*Kimball International, Inc..*	6
854	*Lance, Inc.*	12
855	*Manpower Inc.*	12
856	*Michael Foods, Inc.*	12
857	*Mohawk Industries, Inc.*	12
858	*Seaboard Corporation*	12
859	*United HealthCare Corporation*	12
860	*Western Atlas Inc.*	12

*Months numbered in sequence, January through December

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89 Borden, Inc.
103 CBI Industries, Inc.
104 CBS Inc.
109 Caesars World, Inc.
111 Capital Cities/ABC, Inc.
128 Clark Equipment Company
136 Collins & Aikman Corporation
171 Maxus Energy Corporation
224 The Actava Group Inc.
311 Joslyn Corporation
349 M/A-COM, Inc.
442 The Pittston Company
448 Pratt & Lambert United, Inc.
485 Scott Paper Company
560 The United States Shoe Company
616 E-Systems, Inc.
618 Federal Paper Board Company, Inc.
715 Marion Merrell Dow Inc.
745 Doskocil Companies Incorporated
797 Conner Peripherals, Inc.
808 Homedco Group, Inc.
822 Enviroq Corporation
827 Pet Incorporated
830 Reflectone, Inc.

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