1994

Illustrations of disclosures about fair value of financial instruments : a survey of the application of FASB statement no. 107; Financial report survey, 53

Leonard Lorensen

Illustrations of Disclosures About Fair Value of Financial Instruments

A Survey of the Application of
FASB Statement No. 107

Leonard Lorensen, CPA

AICPA

FINANCIAL REPORT SURVEY
APRIL 1994

AMERICAN

INSTITUTE OF

CERTIFIED

PUBLIC

ACCOUNTANTS

NOTICE TO READERS

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

This book is prepared using the NAARS library available through the AICPA's Total On-line Tax Accounting Library (TOTAL).

To obtain information on becoming a TOTAL subscriber call (201) 938-3252.

AICPA

FINANCIAL REPORT SURVEY
APRIL 1994

Illustrations of Disclosures About Fair Value of Financial Instruments

A Survey of the Application of FASB Statement No. 107

Leonard Lorensen, CPA

AMERICAN

INSTITUTE OF

CERTIFIED

PUBLIC

ACCOUNTANTS

1 2 3 4 5 6 7 8 9 0 IR 9 9 8 7 6 5 4

Library of Congress Cataloging-in-Publication Data

Lorensen, Leonard.
Illustrations of disclosures about fair value of financial instruments: a survey of the application of FASB statement no. 107/ Leonard Lorensen.
p. cm. — (Financial report survey ; 53)
ISBN 0-87051-155-6
1. Financial instruments — Accounting. 2. Disclosure in accounting. I. Title. II. Series. accounting. I. Title.
II. Series.
HF5681.F54L66 1994
657'.76 — dc20 94-19447
CIP

PREFACE

This publication is part of a series produced by the Institute's staff through use of the Institute's National Automated Accounting Research System (NAARS). The purpose of the series is to provide interested readers with examples of the application of technical pronouncements. It is believed that those who are confronted with problems in the application of pronouncements can benefit from seeing how others apply them in practice.

It is the intention to publish periodically similar compilations of information of current interest dealing with aspects of financial reporting.

The examples presented were selected from over twenty thousand annual reports stored in the NAARS computer database.

This compilation presents only a limited number of examples and is not intended to encompass all aspects of the application of the pronouncements covered in this survey. Individuals with special application problems not illustrated in the survey may arrange for special computer searches of the NAARS data banks by contacting the Institute.

The views expressed are solely those of the staff.

Richard D. Walker
Director, Information Technology

TABLE OF CONTENTS

I

SCOPE AND PURPOSE OF THE SURVEY

This survey is intended primarily to help accountants and auditors apply Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, which was issued in December 1991. FASB Statement No. 107 requires disclosure, either in the body of the financial statements or in the accompanying notes, of the fair value of financial instruments — with specified exceptions — for which it is practicable to estimate that value. Disclosure of the methods and assumptions used to estimate fair value also is required. The Statement provides guidance on the selection of methods and assumptions.

Disclosure of the fair value of financial instruments in conformity with FASB Statement No. 107 requires considerable judgment. An accountant who is confronted with problems in applying the Statement can benefit from learning how other accountants are applying it in practice. Accordingly, this publication presents excerpts from recently published financial statements of one hundred companies that illustrate the application of the Statement.

The AICPA National Automated Accounting Research System (NAARS) was used to compile the information. The examples presented in this survey were selected from companies in the 1992-1993 annual report file.

This survey contains many more examples of information presented by enterprises that provide financial services than enterprises that do not provide such services. The reason is that financial enterprises are parties to a larger variety of financial instruments than nonfinancial enterprises.

II

BANKS

Most enterprises that provide financial services are banks. Examples of information disclosed in accordance with FASB Statement No. 107 by fourteen enterprises that operate primarily in the field of banking are presented below. The information is classified according to which of these types of banks is the primary component of the disclosing enterprise:

- National commercial banks
- State commercial banks
- Savings institutions, federally chartered
- Savings institutions, state chartered

NATIONAL COMMERCIAL BANKS

CITICORP, DECEMBER 31, 1992

Notes to Financial Statements

19. Estimated Fair Value of Financial Instruments

The accompanying tables provide disclosure of the estimated fair value of Citicorp's financial instruments, presented in accordance with the requirements of Statement of Financial Accounting Standards No. 107, issued by the Financial Accounting Standards Board. The disclosures include all financial instruments other than specified items such as leases, subsidiary and affiliate investments, and pension and benefit obligations, and the disclosures exclude the effect of taxes and other expenses that would be incurred in a market transaction.

Various limitations are inherent in the data, including the following:

- The data excludes a wide range of franchise, relationship, and intangible values, which are integral to a full assessment of Citicorp's financial position and the value of its net assets. These items are excluded from the FASB requirements even where they may be bought and sold in the market, such as the values of core deposits and credit card relationships, which can carry significant premium market values.
- The data excludes non-financial assets and liabilities, such as premises and equipment and real estate holdings.
- Primary and secondary market prices and rates are used extensively in estimating values, even where the markets are thin.
- While the data represents management's best estimates, much of the data is fundamentally subjective, involving a range of methodologies and assumptions.

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

- Quoted market prices are used for most securities and for loans where available, as well as for liabilities with quoted prices.
- For performing loans where no quoted market prices are available, contractual cash flows are discounted at quoted secondary market rates or estimated market rates if available. Otherwise, current market origination rates for loans with similar terms and risk characteristics are used.
- For loans with doubt as to collectibility, expected cash flows are discounted using an appropriate rate considering the time of collection and a premium for the uncertainty of the flows. The value of collateral is also considered.
- For liabilities without quoted market prices, market borrowing rates of interest are used to discount contractual cash flows.

As detailed in the following tables, the estimated fair values of Citicorp's financial instruments, in the aggregate, exceed the carrying value by approximately $1.6 billion at December 31, 1992. Fair values can vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perceptions of value, and as existing assets and liabilities run off and new items are generated.

Significant Assets

(in billions of dollars)	Carrying Value	Estimated Fair Value
Loans (1)	$131.5	$133.3
Investment Securities	15.1	15.4
Trading Account Assets	17.1	17.1
Other Financial Assets (2)	29.4	29.3

(1) The carrying value of loans is net of the allowance for credit losses and also excludes $4.3 billion of lease finance receivables. Estimated fair value reflects a reduction of approximately $0.4 billion representing amounts related to commitments and contingent items and an increase of approximately $0.1 billion representing estimated fair value amounts related to outstanding interest rate and foreign exchange contracts designated as hedges of loans, based on current market rates.

(2) Includes cash and due from banks, deposits at interest with banks, federal funds sold and securities purchased under resale agreements, and customers' acceptance liability, for which the carrying value is a reasonable estimate of fair value, as well as financial instruments included in

interest and fees receivable and other assets on the balance sheet with a carrying value and an estimated fair value both approximately $9.5 billion. Estimated fair value also reflects a reduction of approximately $0.1 billion representing estimated fair value amounts related to outstanding interest rate and foreign exchange contracts designated as hedges of other financial assets, based on current market rates.

The estimated fair value of loans reflects credit deterioration since the loans were made, changes in interest rates in the case of fixed rate loans, and premium values at origination of certain loans. The following paragraphs comment on portfolios where the comparison to fair value may be of particular interest.

The estimated fair value of Citicorp's loans, in the aggregate, is greater than the carrying value despite depressed real estate values. Fair values for cash-basis loans within the North America commercial real estate portfolio are estimated using the "as is" appraisal methodology, which assumes that all underlying properties are sold under current market conditions and reduces the estimated value of the property by a full profit margin for the purchaser. Values are ascribed to performing loans by discounting contractual cash flows at estimated origination rates for loans with similar terms in the current market, fully considering the risk characteristics of the individual loans, as well as the illiquidity in the real estate market. Amounts are also included related to commitments and contingent items evaluated on a consistent basis with on-balance sheet exposure. The resulting fair values are less than the carrying value, before considering the allowance for credit losses, by approximately $1.6 billion. This is substantially offset by applicable reserves.

The estimated fair value of cash-basis outstandings in the refinancing country portfolio exceeds the carrying value due to write-offs previously taken and the inclusion of the fair value of unpaid interest. The fair value of performing loans to countries that have successfully refinanced their debts (some of which are no longer included in the refinancing portfolio) is less than the carrying value by amounts aggregating approximately $1.1 billion, reflecting secondary market prices.

Estimated fair values of consumer mortgage, credit card, and other consumer loans exceed their carrying values, net of the allowance, by approximately $2.2 billion, reflecting secondary market prices.

Significant Liabilities

(in billions of dollars)	Carrying Value	Estimated Fair Value
Non-Interest-Bearing Deposits	$ 18.8	$ 18.8
Interest-Bearing Deposits	125.4	125.6 (1)
Other Financial Liabilities (2)	32.2	32.3 (1)
Long-Term Debt	16.9	17.0 (1)
Subordinated Capital Notes and Redeemable Preferred Stock	3.3	3.3

(1) Estimated fair value amounts reflect a reduction of approximately $0.3 billion, an increase of $0.1 billion, and a reduction of $0.2 billion representing estimated fair value amounts related to outstanding interest rate and foreign exchange contracts designated as hedges of interest-bearing deposits, purchased funds and other borrowings and long-term debt, respectively, based on current market rates.

(2) Includes securities sold, not yet purchased, carried at market value; federal funds purchased and securities sold under repurchase agreements and acceptances outstanding, for which the carrying value is a reasonable estimate of fair value; and commercial paper, other funds borrowed, and financial instruments included in other liabilities on the balance sheet, with a carrying value and an estimated fair value both approximating $17.4 billion.

Under the FASB requirements, the estimated fair value of deposits with no fixed maturity excludes the premium values available in the market for such deposits, and the estimated value is shown in the table as being equal to the carrying value. The estimated fair value of interest-bearing deposits reflects changes in market rates since the deposits were taken.

The limited degree of divergence between the carrying values and estimated fair values of liabilities reflects the relatively short time periods to repricing in most funding categories, along with the careful management of price risk exposure throughout Citicorp's businesses.

TRUSTMARK CORPORATION, DECEMBER 31, 1992

Trustmark Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

. . . .

Fair Values of Financial Instruments. In December of 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107 (FAS 107) relative to disclosures about fair values of financial instruments. The statement requires disclosure of financial instruments' fair values, as well as the methodology and significant assumptions used in estimating fair values. These requirements have been incorporated throughout the notes to the consolidated financial statements. In cases where quoted market prices are not available, fair values are based on estimates using present value techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates for those assets or liabilities cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. All non-financial instruments, by definition, have been excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation and may not be indicative of amounts that might ultimately be realized upon disposition or settlement of those assets and liabilities.

Trading Account Securities

. . . .

Fair values for the Corporation's trading account assets are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Securities Held for Sale and Investment Securities

. . . .

Fair values for investment securities and securities held for sale are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans

. . . .

The fair value of loans, as disclosed in Note 6, is estimated for portfolios of loans with similar financial characteristics. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for certain mortgage loans, such as one-to-four-family residential properties, are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

. . . .

Deposits

The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, NOW accounts, MMDA products and savings accounts is, by definition, equal to the amount payable on demand at the reporting date, commonly referred to as the carrying value. Fair values for certificates of deposit are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. See Note 9 for a detail of carrying values and fair values for all deposit liabilities.

Short-Term Liabilities

The carrying value for federal funds purchased, securities sold under repurchase agreements and other liabilities approximates their fair values.

. . . .

Note 6 — Loans

At December 31, 1992 and 1991, the loan portfolio consisted of the following (*$ in thousands*):

	1992		1991
Real estate loans:	Carrying Value	Estimated Fair Value	Carrying Value
Construction and land development	$ 81,188	$ 81,130	$ 88,381
Secured by 1–4-family residential properties	437,700	452,500	381,762
Secured by nonfarm, nonresidential properties	295,837	298,433	310,926
Other real estate loans	44,478	44,235	33,068
Term federal funds sold	125,000	125,000	120,000
Loans to finance agricultural production	15,261	15,279	13,552
Commercial and industrial	427,384	428,929	448,737
Loans to individuals for personal expenditures	403,484	418,210	405,625
Obligations of states and political subdivisions	39,622	39,782	44,733
Loans for purchasing or carrying securities	6,490	6,499	6,549
Lease financing receivables	3,837	3,837	2,470
Other loans	25,432	26,224	31,288
Loans, net of unearned interest	$1,905,713	$1,940,058	$1,887,091

. . . .

Note 9 — Deposits

At December 31, 1992 and 1991, deposits consisted of the following (*$ in thousands*):

	1992		1991
	Carrying Value	Estimated Fair Value	Carrying Value
Non-interest-bearing demand deposits	$ 590,996	$ 590,996	$ 530,099
NOW accounts	411,321	411,321	341,079
Money market deposit accounts	653,137	653,137	536,439
Savings accounts	178,389	178,389	160,348
Certificates of deposit	1,363,039	1,380,728	1,592,702
Total deposits	$3,196,882	$3,214,571	$3,160,667

As disclosed in Note 1, FAS 107 defines fair value of demand deposits as the amount payable upon demand and prohibits adjusting fair value for any value derived from retaining these deposits for an expected future period in time. That component, commonly referred to as a core deposit intangible, is not considered in the above fair value amounts.

Note 13 — Commitments and Contingencies

. . . .

There is no material difference between the notional amount and the estimated fair value of loan commitments, which are generally priced at market at the time of funding. In addition, fees collected from loan commitments are considered to be immaterial. The fair value of letters of credit would approximate the notional value, since the fees currently collected on these instruments would be deemed immaterial. Contract values for the Corporation's financial forward contracts shown above exceed their fair values by approximately $1,100,000. Fair values are based on current settlement values.

. . . .

UJB FINANCIAL CORPORATION, DECEMBER 31, 1992

UJB Financial Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Note 22 — Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors.

These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business, and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

The following methods and assumptions were used to estimate the fair value of significant financial instruments:

Financial Assets. The carrying amounts of cash, short-term investments, due from customers on acceptances, and bank acceptances outstanding are considered to approximate fair value. Short-term investments include federal funds sold, securities purchased under agreements to resell, and interest bearing deposits with banks. The fair values of investment securities, including available for sale, are generally based on quoted market prices. The fair value of loans is estimated using a combination of techniques, including discounting estimated future cash flows and quoted market prices of similar instruments where available.

Financial Liabilities. The carrying amounts of deposit liabilities payable on demand, commercial paper and other borrowed funds are considered to approximate fair value. For fixed maturity deposits, fair value is estimated by discounting estimated future cash flows using currently offered rates for deposits of similar remaining maturities. The fair value of long-term debt is based on rates currently available to UJB Financial for debt with similar terms and remaining maturities.

Off-Balance-Sheet Financial Instruments. The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. The fair value of interest rate swaps and caps, entered into in order to manage interest rate risk, is based on dealer quotes. The fair value of these financial instruments, which are not deemed to be material, is included in the estimated fair value of the related financial instrument amounts.

The estimated fair value of financial instruments at December 31, is summarized as follows:

(in thousands)	1992
Financial Assets:	
Cash and short-term investments	$ 1,133,366
Trading account securities	21,961
Investment securities available for sale	886,577
Investment securities	2,677,274
Loans	8,870,187
Due from customers on acceptances	21,378
Financial Liabilities:	
Deposits	$11,819,544
Other borrowed funds and commercial paper	703,842
Bank acceptances outstanding	21,378
Long-term debt	224,975

CENTRAL JERSEY BANCORP, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note 13. Disclosure About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate value:

Cash and short-term investments: The carrying amount is a reasonable estimate of that fair value.

Investment securities and securities available for sale: For securities and marketable equity securities held for investment as well as securities available for sale, fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices of similar securities.

Loan receivables: The fair value of loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Because the rates are essentially variable and their balances are immaterial, credit card loans are carried at book value.

Deposit liabilities: The fair value for demand deposits, savings deposits and certain money market deposits is the amount payable on demand at December 31, 1992. The fair value of time deposits was based on the discounted value of contractual cash flows. The discount rate was estimated using rates currently offered for deposits of similar remaining maturity.

Other borrowed funds: Other borrowed funds are overnight borrowings with rates reset daily. The current book value is an accurate estimate of fair value.

Long-term debt: Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Interest rate swaps: The fair value of interest rate swaps (used for hedging purposes) is the estimated amount that the Company would receive to terminate the swap agreement as of December 31, 1992, taking into account current interest rates and the current creditworthiness of the swap counterparty.

Commitments to extend credit and standby letters of credit: The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties.

Limitations: The following fair value estimates were made at December 31, 1992, based on pertinent market data and relevant information on the financial instrument. These estimates do not include any premium or discount that could result from an offer to sell at one time the Company's entire holdings of a particular financial instrument or category thereof. Since no market exists for a substantial portion of the Company's financial instruments, fair value estimates were necessarily based on judgments with respect to future expected loss experience, current economic conditions, risk assessments of various financial instruments involving a myriad of individual borrowers, and other factors. Given the innately subjective nature of these estimates, the uncertainties surrounding them and the matters of significant judgment that must be applied, these fair value estimations cannot be calculated with precision. Modifications in such assumptions could meaningfully alter these estimates.

Since these fair value approximations were made solely for on and off balance sheet financial instruments at December 31, 1992, no attempt was made to estimate the value of anticipated future business or the value of nonfinancial statement assets and liabilities. For instance, the Company has certain fee-generating business lines (e.g., its trust department and mortgage banking operation) that were not considered in these estimates since these activities are not financial instruments. Furthermore, certain tax implications related to the realization of the unrealized gains and losses could have a substantial impact on these fair value estimates and have not been incorporated into many of the estimates.

The estimated fair value of the Company's financial instruments as of December 31, 1992 was as follows:

(in thousands	Carrying Amount	Fair Value
Financial assets:		
Cash and short-term investments	$ 121,421	121,421
Securities available for sale	32,909	34,315
Investment securities	551,542	557,269
Loans, net of discount	941,829	916,397
Less: allowance for loan losses	39,122	—
Loans, net of discount and allowance	902,707	916,397
	$ 1,608,579	1,629,402
Financial liabilities:		
Deposits	$ 1,537,113	1,511,107
Other borrowed funds	30,791	30,791
Long-term debt	10,570	8,818
	$ 1,578,474	$ 1,550,716
Unrecognized financial instruments:		
Interest rate swaps	$ 50,000	51,488
Commitments to extend credit	$ 188,789	188,789
Standby letters of credit	$ 12,338	12,338

HUBCO INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Hubco, Inc. and Subsidiaries
December 31, 1992
(in thousands)

(1) Summary of Significant Accounting Policies

. . . .

Disclosures About Fair Value of Financial Instruments. In December 1991, the FASB issued SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS No. 107 extends the existing fair value disclosure practices for some instruments by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. SFAS No. 107 is effective for financial statements issued for fiscal years ending after December 15, 1992. The Company has adopted the provisions of SFAS No. 107 for its year ended December 31, 1992.

. . . .

For investment securities held in the Company's investment portfolio, fair value is determined by reference to quoted market prices, if available. If quoted market prices are not available, fair value is estimated using quoted market prices for similar securities.

. . . .

For certain homogeneous categories of loans, such as some residential mortgages, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

. . . .

Deposits: The fair value of demand deposit savings accounts and certain money market deposits is the amount reported in the financial statements. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. The fair value of these certificates of deposit was $238,610 at December 31, 1992.

Federal funds purchased and securities sold under agreements to repurchase: Federal funds purchased and securities sold under agreements to repurchase at December 31, 1992, generally have an original term to maturity of less than 30 days and, therefore, their carrying value is a reasonable estimate of fair value.

. . . .

(5) Loans

. . . .

Net loans had a fair value of approximately $517,639 at December 31, 1992.

MERCHANTS BANCORP INC., DECEMBER 31, 1992

Merchants Bancorp, Incorporated and Subsidiary
Notes to Consolidated Financial Statements
December 31, 1992, 1991, and 1990

Note 17 — 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 for which it is practicable to estimate that value:

Cash and Due From Banks. For these instruments the carrying value is a reasonable estimate of fair value.

Investment Securities. Fair value for these instruments equals quoted market prices or dealer quotes.

Loans. The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits. The fair value of demand deposits, savings accounts, and money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated by discounting future cash flows using the current rates for deposits of similar remaining maturities.

Federal Funds Purchased and Securities Sold Under Repurchase Agreements. Federal funds purchased are for a term of one day and the carrying amount is a reasonable estimate of fair value.

The fair value of securities sold under repurchase agreements is estimated by discounting future cash flows using the current rates for funds of similar remaining maturities.

Note Payable. The note payable is a floating rate instrument and the carrying amount is a reasonable estimate of fair value.

Accrued Interest Receivable and Payable. The carrying value of these instruments is a reasonable estimate of fair value.

Commitments to Extend Credit and Standby Letters of Credit. The fee that would be charged to enter similar commitments today is the fair value. All commitments to extend credit and standby letters of credit are issued on a short-term or floating rate basis. The fair value of these instruments is not material.

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 1992 are as follows:

	Carrying Value	Estimated Fair Value
Financial assets:		
Cash and due from banks	$ 24,240,000	$ 24,240,000
Investment securities	114,407,000	117,274,000
Loans	239,977,000	241,480,000
Allowance for possible loan losses	(4,161,000)	(4,161,000)
Accrued interest receivable	3,022,000	3,022,000
Financial liabilities:		
Deposits	$ 335,057,000	$ 336,659,000
Federal funds purchased and securities sold under repurchase agreements	21,396,000	21,401,000
Note payable	750,000	750,000
Accrued interest payable	935,000	935,000

SUNTRUST BANKS INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note 1 — Accounting Policies

. . . .

Fair Values of Financial Instruments. Statement of Financial Accounting Standards No. 107 (FAS 107), "Disclosures about Fair Value of Financial Instruments" was issued in December 1991 and is effective for fiscal years beginning after December 15, 1992. There has been much discussion about the potential usefulness of fair value information for financial instruments. Proponents argue that such information provides a more accurate representation of an institution's current financial condition. Opponents argue much of the information is expensive to generate, highly subjective and insignificant unless the institution is to be liquidated.

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments for the required disclosures found throughout the Notes to Consolidated Financial Statements:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Trading account assets: Fair values for the Company's trading account assets, which are also the carrying values, are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments except in the case of certain options and swaps where pricing models are used.

Loans receivable: The fair values for certain mortgage loans and credit card loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms and credit quality. The carrying amount of accrued interest approximates its fair value.

Off-balance-sheet instruments: Fair values for the Company's off-balance-sheet instruments (futures, swaps, forwards, options, guarantees, and lending commitments) are based on quoted market prices, current settlement values, or pricing models or other formulas.

Deposit liabilities: The fair values disclosed for demand deposits, NOW accounts, savings accounts and certain money market accounts are, by definition, equal to the amount payable on demand at the reporting date, i.e., their carrying amounts. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies current interest rates to a schedule of aggregated expected maturities.

Short-term borrowings: The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings approximate their fair values.

Long-term debt: The fair values of the Company's long-term debt are based on quoted market prices for similar instruments or estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of instruments.

The Company views this information as an experiment for both calculation techniques and the usefulness of the information. Because of the high degree of subjectivity for much of the disclosure, readers are cautioned not to place undue reliance on the information. Readers are also encouraged to send comments to the Company concerning the usefulness of the information and any other aspects of the disclosure deemed relevant. Correspondence should be sent to the attention of the Investor Relations Department at the corporate mailing address as shown on the inside back cover of this report.

Note 4 — Loans

. . . .

Fair value	$ 23,016,900

. . . .

Note 7 — Deposits and Federal Reserve Requirements

A summary of deposits at December 31, 1992 and 1991 is as follows:

	Carrying Value	Fair Value	Carrying Value
(in thousands)	1992		1991
Noninterest-bearing	$ 6,934,842	$ 6,934,842	$ 5,943,871
NOW accounts	4,205,750	4,205,750	3,392,321

(in thousands)	Carrying Value 1992	Fair Value 1992	Carrying Value 1991
Money market	5,080,642	5,080,642	4,738,053
Savings	4,423,659	4,423,659	3,979,366
Consumer time	6,405,097	6,463,193	7,418,868
Other time	1,793,304	1,807,802	2,515,473
Total	$28,843,294	$28,915,888	$27,987,952

As disclosed in Note 1, FAS 107 defines fair value of demand deposits as the amount payable on demand, and prohibits adjusting fair value for any value derived from retaining those deposits for an expected future period of time. That component, commonly referred to as a deposit base intangible asset, is estimated to be approximately $1.6 billion at December 31, 1992 and is not considered in the above fair value amounts. Approximately $10.1 million, at December 31, 1992, representing deposit base intangibles from purchased banks is included in intangible assets.

. . . .

Note 9 — Long-Term Debt

. . . .

A summary of long-term debt at December 31, 1992 and 1991 is as follows:

(in thousands)	Carrying Value 1992	Fair Value 1992	Carrying Value 1991
Parent Company			
8.75% senior notes due 1992	$ —	$ —	$ 450
8.875% notes due 1994	100,000	105,130	100,000
11.00% notes due 1995	—	—	125,000
8.375% notes due 1996	74,500	79,000	75,000
8.875% notes due 1998	100,000	108,220	100,000
9.25% debentures due 1998	6,000	6,840	7,400
8.25% capital debenture notes due 1998	13,050	14,238	13,750
7.375% notes due 2002	200,000	200,220	—
7.50% debentures due 2002	16,200	16,174	16,975
Capital lease obligation	7,181	7,664	7,450
Total parent company	516,931	537,486	446,025
Subsidiaries			
Capital lease obligations	25,227	25,227	25,785
Mortgages secured by bank premises	2,934	2,934	3,227
Total subsidiaries	28,161	28,161	29,012
Total long-term debt	$545,092	$565,647	$475,037

FIRST FINANCIAL CORPORATION, DECEMBER 31, 1992

First Financial Corporation
Notes to Consolidated Financial Statements

Note O. Fair Values of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure 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 assumptions used, including the 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 No. 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 Corporation.

The Corporation does not routinely measure the market value of financial instruments because such measurements represent point-in-time estimates of value. It is not the intent of the Corporation to liquidate and therefore realize the difference between market value and carrying value and even if it were, there is no assurance that the estimated market values could be realized. Thus, the information presented is not particularly relevant to predicting the Corporation's future earnings or cash flows.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

Investment and mortgage-backed securities: Fair values for investment and mortgage-backed securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans receivable: For variable-rate mortgage loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for residential mortgage loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values for commercial real estate loans, rental property mortgage loans and consumer and other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

Due to the lack of practicability, the fair value of mortgage loan servicing rights has not been determined and is not presented below. These rights, which consist of the Corporation's contractual right to service loans for others, represent a distinct-income producing intangible asset that could be realized by selling those rights to another institution. The value of those rights, except to the extent that purchased mortgage servicing rights exist, is not reflected in the Corporation's Statement of Financial Condition.

Federal Home Loan Bank Stock: Federal Home Loan Bank stock is carried at cost which is its redeemable (fair) value since the market for this stock is limited.

Deposits: The fair values disclosed for interest and non-interest checking accounts, passbook accounts and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values of fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities of the outstanding certificates of deposit.

Federal Home Loan Bank and other borrowings: The fair values of the Corporation's long-term borrowings are estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Corporation's financial instruments consisted of the following at December 31, 1992:

(in thousands)	Carrying Amount	Fair Value
Cash equivalents	$ 60,167	$ 60,167
Short-term securities	$ 10,187	$ 10,187
Investment securities (see Note C for details)	$ 93,446	$ 94,762
Federal Home Loan Bank stock	$ 22,244	$ 22,244
Mortgage-backed securities (see Note D for details)	$ 1,301,947	$ 1,314,270
Loans held for sale	$ 54,840	$ 55,280
Loans receivable:		
Real estate	$ 1,436,947	$ 1,453,626
Credit cards	174,845	174,845
Education	160,298	160,298
Home equity	163,397	163,397
Manufactured housing	128,544	141,183
Consumer and other	91,846	93,321
	$ 2,155,877	$ 2,186,670
Deposits:		
Checking accounts	$ 224,728	$ 224,728
Passbook accounts	751,811	751,811
Money market accounts	296,181	296,181
Certificates of deposit	1,929,741	1,959,075
	$ 3,202,461	$ 3,231,795
Borrowings:		
Federal Home Loan Bank advances	$ 397,193	$ 397,251
Subordinated notes	55,000	55,000
Industrial development revenue bonds	9,755	10,008
	$ 461,948	$ 462,259

INDEPENDENCE FEDERAL SAVINGS BANK, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
December 31, 1992, 1991, and 1990
Independence Federal Savings Bank and Subsidiaries

Note 1 — Summary of Significant Accounting Policies

. . . .

O. Fair Values of Financial Instruments

The financial statements include various estimated fair value information as of December 31, 1992, as required by Financial Accounting Standards Board Statement No. 107. Such information, which pertains to the Bank's financial instruments, is based on the requirements set forth in FAS 107 and does not purport to represent the aggregate net fair value of the Bank. Further, the fair value estimates are based on various assumptions, methodologies and subjective considerations, which vary widely among different financial institutions and are subject to change.

(1) Cash and Cash Equivalents. The balance sheet carrying amounts for cash and short-term investments approximate the estimated fair values of such assets.

(2) Investment Securities (Including Mortgage-Backed Securities). Fair values for investment securities are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

(3) Loans Receivable. Estimated fair values for the loans receivable are based on pricing methodologies utilized by the Office of Thrift Supervision to measure the Bank's exposure to interest rate risk.

(4) Off-Balance Sheet Instruments. Estimated fair values for the Bank's off-balance sheet instruments which consist solely of lending commitments and a letter of credit, all maturing within one year, approximate the current values.

(5) Deposit Liabilities. The fair values estimated for demand deposits (e.g., interest and non-interest bearing checking accounts and passbook savings) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values of money market deposit accounts and certificates of deposit are estimated using the pricing methodologies employed by the Office of Thrift Supervision to measure the Bank's interest rate risk position.

(6) Borrowings. The carrying amounts of the Bank's advances from the Federal Home Loan Bank of Atlanta and borrowings under reverse repurchase agreements approximate their fair values, since these obligations mature within one year.

. . . .

Note 4 — Loans Receivable

. . . .

The carrying amounts and estimated fair values of loan receivables consisted of the following at December 31, 1992:

	Carrying Value	Estimated Fair Value
First mortgage loans		
One-to-four-family residences	$ 89,823,000	$ 94,262,000
Other properties	15,249,000	15,368,000
Consumer loans and guaranteed student loans	29,574,000	29,479,000
Commercial loans	432,000	433,000
	135,078,000	139,542,000

	Carrying Value	Estimated Fair Value
Allowance for loan losses	(303,000)	—
Discounts on loans purchased	(51,000)	—
Deferred loan fees, net	(736,000)	—
Net loans receivable	$133,988,000	$139,542,000

Management has determined it would incur excessive amounts of time and money to estimate the fair value of nonperforming loans (loans that are 90 days or more delinquent and still accruing interest and nonaccrual loans), primarily due to the uncertainty of cash flows and the difficulty in predicting the timing of such cash flows. As such, nonperforming loans are included above at cost. Nonperforming loans totaled $6,198,000 at December 31, 1992.

Note 8 — Deposits

. . . .

The carrying amounts and estimated fair values of deposits consisted of the following at December 31, 1992:

	Carrying Value	Estimated Fair Value
Demand		
Non-interest bearing	$ 4,480,000	$ 4,480,000
Interest bearing	42,816,000	42,816,000
Money market accounts	6,823,000	6,528,000
Time deposits	127,589,000	129,005,000
Total deposits	$181,708,000	$182,829,000

METROPOLITAN FINANCIAL CORPORATION, DECEMBER 31, 1992

Metropolitan Financial Corporation
Notes to Consolidated Financial Statements

Note C. Fair Value of Financial Instruments

In December 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS No. 107 requires disclosure 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 assumptions used, including the 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 No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following schedule includes the book value and estimated fair value of all financial assets and liabilities, as well as specific off-balance-sheet items, as of December 31, 1992 and the manner in which fair value was estimated. The fair values indicated for non-financial assets and liabilities, including real estate, office properties and equipment, goodwill, deferral taxes, other assets (excluding unamortized premiums on interest rate caps), and other liabilities, represent the book value as of December 31, 1992.

	Book Value	Fair Value
Assets		
Cash and due from banks	$ 95,370	$ 95,370
Short term interest bearing deposits	157,489	157,489
Assets held for sale	162,304	162,304
Investment securities	419,129	423,774
Mortgage backed securities	1,612,801	1,632,794
Loans	3,267,131	3,334,035
FHLB stock	64,096	64,096
Accrued interest	36,393	36,393
Real estate	51,915	51,915
Office properties and equipment	71,955	71,955
Goodwill	62,715	62,715
Deferred taxes	51,300	51,300
Other assets	93,913	94,783
Total Assets	$ 6,146,511	$ 6,238,923
Liabilities		
Transaction and passbook deposits	$ 1,498,578	$ 1,498,578
Certificates	3,708,447	3,770,115
Borrowings	418,986	424,255
Accrued interest	41,262	41,262
Other liabilities	52,594	52,594
Total Liabilities	$ 5,719,867	$ 5,786,804
Total Shareholders' Equity	$ 426,644	$ 452,119
Off-balance-sheet items		
Rate swaps		$ (7,900)
Mortgage loan servicing rights		22,463
Commitments		(2,608)
Total Off-Balance-Sheet Items		$ 11,955

The following valuation methods and assumptions were used by the Company in estimating its fair value of financial instruments:

Cash and Due From Banks. The book value of cash and due from banks approximates fair value.

Assets Held for Sale. The book value represents the lower of cost or market value of these instruments determined on an aggregate basis based on commitments outstanding and current quoted market prices.

Investment and Mortgage Backed Securities. Fair values are based on quoted market prices.

Loans. The fair values for fixed rate, one-to-four-family residential mortgage loans are based on quoted market prices of similar loans sold in secondary market transactions, adjusted for differences in loan characteristics. The fair values for commercial real estate, commercial business, and consumer loans are calculated using interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

FHLB Stock. Fair value for FHLB stock is based on the price at which it may be resold to the FHLB.

Other Assets. Other assets for which the fair value is other than the book value represent unamortized premiums on interest rate caps. The fair value of these assets is determined using quoted market prices for instruments with similar rate and maturity characteristics.

Deposits. The fair values disclosed for demand deposits (i.e., interest and non-interest bearing checking, passbook savings and money market accounts) are equal to the amount payable on demand at the reporting date. Fair values for fixed-maturity certificates of deposit are calculated using a discounted cash flow analysis that applies interest rates currently being offered on certificates.

Borrowings. The carrying amounts of short-term borrowings approximate their fair value. The fair value of the Bank's long-term borrowing is calculated using a discounted cash flow analysis, based on the Bank's current incremental borrowing rate for similar types of borrowing. The subordinated notes are valued according to the quoted market price.

Rate Swaps. The fair value of interest rate swaps is derived from a pricing model that discounts the cash flows of both the paying side and receiving side of the swap using quoted market rates of similar term instruments.

Mortgage Servicing Rights. Mortgage servicing rights represent the right to service loans for others and are valued based on average loan balances, interest rates, pass-through rates and estimated servicing cost per loan adjusted for assumptions on prepayments, delinquencies and foreclosures.

Commitments. Off-balance-sheet commitments include commitments to originate consumer loans and 15-year fixed rate mortgage loans. The commitment value approximates the fair value. Commitments to purchase shorter duration mortgage backed securities were valued according to the contractual rate compared to quoted market rates at December 31, 1992 of similar instruments.

PROVIDENT BANKSHARES CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Provident Bankshares Corporation and Subsidiaries

Note 15 — Fair Value of Financial Instruments

During 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107 — "Disclosures about Fair Value of Financial Instruments." This statement requires all entities to disclose the fair value of recognized and unrecognized financial instruments on a prospective basis, where practicable, in an effort to provide financial statement users with information in making rational investment and credit decisions.

To estimate the fair value of each class of financial instrument, the Corporation applied the following methods using the indicated assumptions:

Cash and Due From Banks. Carrying amount of those investments is used to estimate fair value.

Trading Account Securities and Investments Held for Sale. For these securities, whether held for trading or sale, fair value is estimated using quoted market prices and dealer quotes.

Mortgage Loans Held for Sale. Fair value for mortgage loans held for trading or sale was determined using forward contract commitment pricing for the majority of these loans. Loans not specifically allocated to a forward commitment have been priced using quoted prices for commitments into which these mortgages would be placed in the future.

Investment Securities. The fair values of the investment securities are based on quoted market prices or dealer quotes for those investments.

Loans. Fair value of loans which have homogeneous characteristics, such as residential mortgages, installment loans and credit card receivables was estimated using discounted cash flows. All other loans were valued using discount rates which reflected credit risks of the borrower, types of collateral and remaining maturities.

Deposit Liabilities. Fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings and Long-Term Debt. Rates currently available to the Corporation for borrowings and debt with similar terms and remaining maturities are used to estimate fair value of the existing debt.

Interest Rate Swap Agreements. The fair value of interest rate swaps, which the Corporation uses for hedging purposes, is the estimated amount the Corporation would receive or pay to terminate the agreements at the reporting date, taking into account the current interest rates and the current creditworthiness of the counterparties. These amounts were immaterial at December 31, 1992.

Commitments to Extend Credit. The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the borrowers. Fixed-rate loan commitments also take into account the difference between current levels of interest rates and committed rates.

The estimated fair values of the Corporation's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
	(in thousands)	
Assets:		
Cash and Due from Banks	$ 32,261	$ 32,261
Mortgage Loans Held for Sale	90,746	91,218
Investment Securities Held for Sale	101,992	102,631
Investment Securities	662,762	667,300
Loans, Net of Allowance	690,507	706,073
Liabilities:		
Deposits	$1,220,052	$1,222,738
Short-Term Borrowings	282,690	283,044
Long-Term Debt	2,218	2,270
Unrecognized Financial Instruments:		
Commitments to Extend Credit	$ 26,426	$ 26,563

DOWNEY SAVINGS & LOAN ASSOCIATION, DECEMBER 31, 1992

Downey Savings and Loan Association and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1992, 1991 and 1990

(17) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS No. 107"), requires the Company to disclose estimated values for its financial instruments. Fair value estimates are made at a specific point in time based upon relevant market information and other information about the financial instrument. The estimates do not necessarily reflect the price the Company might receive if it were to sell at one time its entire holding of a particular financial instrument. Because no active market exists for a significant portion of the Company's financial instruments, fair value estimates are based upon the following methods and assumptions, some of which are subjective in nature. Changes in assumptions could significantly affect the estimates.

Cash, Federal Funds Sold, and Securities Purchased Under Resale Agreements. The carrying amounts reported in the balance sheet for these items approximate fair value.

Investment Securities Including Mortgage-Backed Securities. Fair values are based upon bid prices published in financial newspapers or bid quotations received from securities dealers.

Loans Receivable. For residential mortgage loans, fair value is estimated based upon market prices obtained from readily available market quote systems. The remaining portfolio was segregated into those loans with variable rates of interest and those with fixed rates of interest. For all other variable rate loans which reprice frequently, fair values approximate carrying values. For all other fixed rate loans, fair values are based on discounting future contractual cash flows using the current rate offered for such loans with similar remaining maturities and credit risk. The amounts so determined for each category of loan are reduced by the associated allowance for loan losses which thereby takes into consideration changes in credit risk.

Interest Bearing Advances to Joint Ventures. The carrying amounts approximate fair value as the interest earned is based upon a variable rate.

Deposits. The fair value of deposits with no stated maturity such as regular passbook accounts, money market accounts, and NOW accounts, is defined by SFAS No. 107 as the carrying amounts reported in the balance sheet. The fair value of deposits with a stated maturity such as certificates of deposit is based on discounting future contractual cash flows by the current rate offered for such deposits with similar remaining maturities.

Borrowings. For short-term borrowings, fair value approximates carrying value. The fair value of long-term borrowings is based on their interest rate characteristics. For variable rate borrowings, fair values approximate carrying values. For fixed rate borrowing, fair value is based on discounting future contractual cash flows by the current rate paid on such borrowings with similar remaining maturities.

Off Balance Sheet Financial Instruments. The fair value of interest rate swaps was derived from dealer quotations and represents the estimated amount the Company would receive in terminating the contracts or agreements, taking into consideration current interest rates and the remaining contract term. The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements taking into consideration the remaining terms of the agreements and the creditworthiness of the counterparties. The fair value of loans in process is determined in the same manner as described for loans receivable. The fair value of commitments to sell loans and mortgage-backed securities is based upon bid quotations received from securities dealers. The fair value of loans serviced for others is determined by discounting at market rates the expected net servicing income from the portfolio.

Based on the above methods and assumptions, the following table presents the estimated fair value of the Company's financial instruments at December 31, 1992:

	Carrying Amount (1)	Estimated Fair Value
	(in thousands)	
Assets:		
Cash	$ 65,502	$ 65,502
Federal funds	8,834	8,834
U.S. Government and agency obligations and other investment securities held for investment	95,248	98,937
Loans and mortgage-backed securities purchased under resale agreements	270,000	270,000
Loans held for sale	5,387	5,436
Mortgage-backed securities held for investment	49,339	51,603
Loans receivable held for investment:		
Loans secured by real estate:		
Residential:		
Adjustable	1,861,892	1,882,218
Fixed	455,331	486,273
Other	313,830	315,535
Non-mortgage loans:		
Commercial	17,976	17,976
Consumer and other	46,529	46,673
Interest bearing advances to joint ventures	23,150	23,150
Liabilities:		
Deposits:		
Regular passbook	387,350	387,350
NOW accounts	291,553	291,553
Money market accounts	243,181	243,181
Certificates of deposit	2,186,302	2,205,723
Borrowings	14,508	14,613
Off Balance Sheet Instruments:		
Interest rate swap contracts	N/A	(16,286)
Commitments to sell fixed rate mortgage loans	8,806	8,897
Standby letters of credit	1,577	1,577
Unused lines of credit	50,488	50,488
Loans in process	18,817	18,817
Commitments to originate loans and mortgage-backed securities		
Fixed rate	5,006	5,005
Variable rate	102,655	102,655
Loan servicing portfolio	N/A	4,499

(1) The carrying amount of loans is stated net of undisbursed loan funds, unearned fees and discounts, and allowance for estimated losses.

Notes to Consolidated Financial Statements
First Northern Savings Bank, S.A. and Subsidiaries

Note O — Fair Market Values of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure 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 assumptions used, including the 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 to the instrument. SFAS No. 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 Savings Bank.

The Savings Bank does not routinely measure the market value of financial instruments because such measurements represent point-in-time estimates of value. It is not the intent of the Savings Bank to liquidate and therefore realize the difference between market value and carrying value and even if it were, there is no assurance that the estimated market values could be realized. Thus, the information presented is not particularly relevant to predicting the Savings Bank's future earnings or cash flow.

The following methods and assumptions were used by the Savings Bank in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

Securities available for sale, investment securities and mortgage-backed securities: Fair values for securities available for sale, investment securities and mortgage-backed securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market price of comparable instruments.

Loans available for sale and loans receivable: For variable-rate mortgage loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for all other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

Federal Home Loan Bank stock: Fair value for the Federal Home Loan Bank stock is based on its redeemable (carrying) value, as a market for this stock is limited.

Deposits: The fair values disclosed for interest and non-interest negotiable order of withdrawal accounts, passbook accounts and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities of the outstanding certificates of deposit.

Off-balance-sheet instruments: Fair values for the Savings Bank's off-balance-sheet instruments (lending commitments) are based on quoted market prices, fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the credit standing of the related counterparty.

The carrying amounts and fair values of the Savings Bank's financial instruments consist of the following:

	At December 31, 1992	
	Carrying Amount	Fair Value
Cash equivalents	$ 23,203,325	$ 23,203,325
Securities available for sale (See Note B for details)	$ 468,484	$ 1,217,740
Investment securities (See Note C for details)	$ 19,023,411	$ 19,528,438
Mortgage-backed securities (See Note C for details)	$ 2,195,136	$ 2,216,112
Loans available for sale	$ 1,916,263	$ 1,916,263
Loans receivable:		
1–4-family residential real estate	$242,507,375	$252,872,000
Other residential and commercial	19,582,354	20,079,000
Consumer	61,352,664	62,281,825
	$323,442,393	$335,232,825
Federal Home Loan Bank stock	$ 2,808,500	$ 2,808,500
Deposits:		
Checking accounts	$ 35,107,977	$ 35,107,977
Passbook accounts	40,737,677	40,737,677
Money market accounts	24,097,781	24,097,781
Certificates of deposit	223,858,481	227,133,000
	$323,801,916	$327,076,435
Off-balance-sheet instruments:		
Commitments to originate mortgages:		
Fixed rate	$ 381,700	$ 381,700
Adjustable rate	2,000,332	2,000,332
	$ 2,382,032	$ 2,382,032
Unused lines of credit	$ 8,507,195	$ 8,507,195

FIRST REPUBLIC BANCORP INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

17. Fair Value of Financial Instruments

SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires that the Company disclose the fair value of financial instruments for which it is practicable to estimate that value. Although management uses its best judgment in assessing fair value, there are inherent weaknesses in any estimating technique that may be reflected in the fair values disclosed. The fair value estimates are made at a discrete point in time based on relevant market data, information about the financial instruments, and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgment. Changes in the assumptions used could significantly affect these estimates. Fair value has not been adjusted to reflect changes in market condition for the period subsequent to December 31, 1992; therefore estimates presented herein are not necessarily indicative of amounts which could be realized in a current transaction.

The estimated fair values presented neither include nor give effect to the values associated with the Company's existing customer relationships, lending and deposit branch networks, or certain tax implications related to the realization of unrealized gains or losses. Also, under SFAS 107, the fair value of money market passbook accounts is equal to the carrying amount because these liabilities have no stated maturity; under such approach, the benefit that results from the lower cost funding provided by such liabilities, as compared to alternative sources of funding, is excluded.

The following methods and assumptions were used to estimate the fair value of each major classification of financial instruments at December 31, 1992:

Cash and Cash Equivalents: Current carrying amounts approximate estimated fair value.

Investment Securities: For securities at amortized cost and securities at lower of cost or market, current market prices were used to determine fair value. FHLB stock has no trading market, is required as part of membership, and is redeemable at par; therefore, it is carried at cost.

Loans Receivable: The carrying amount of loans is net of unearned fee income and the reserve for possible losses. To estimate fair value of the Company's loans, primarily adjustable rate real estate secured mortgages, each loan collateral type is segmented into categories based on fixed or adjustable interest rate terms, maturity, estimated credit risk, and accrual status.

The fair value of single-family mortgages is based upon prices of similar loans sold recently by the Company, adjusted for differences in loan characteristics and market conditions. The fair value of other loans is estimated by comparing the contractual cash flows and the current interest rates at which similar loans would be made to borrowers with similar credit ratings. Assumptions regarding liquidity risk and credit risk are judgmentally determined using available internal and market information.

The fair value of nonaccruing loans and certain other loans is further adjusted with an additional risk factor reflecting the individual characteristics of the loans and the results of the Company's internal loan grading process.

Mortgage Servicing Rights: The fair value of excess servicing rights related to loans originated and sold by the Company is based on estimates of current market values for similar loans with comparable terms. Additionally, the Company has purchased mortgage servicing rights with a fair value approximately equal to their carrying value of $1,501,000; these amounts are not included in the following table.

Deposit Liabilities: The fair value of deposits with a stated maturity is based on the discounted value of contractual cash flows, using a discount rate based on rates currently offered for deposits of similar remaining maturities.

FHLB Advances: The Company's FHLB advances consist primarily of long-term adjustable rate borrowings. Using current quoted terms, the estimated fair value is based on the discounted value of contractual cash flows for the remaining maturity, adjusted for the effect of interest rate swap and cap agreements related to these advances.

Debentures: For obligations issued prior to December 1992, the fair value is calculated over the remaining maturity based on the discounted value of future cash flows using a discount rate derived from current market rates for obligations of the same original maturity.

Commitments to Extend Credit: The majority of the Company's commitments to extend credit carry current market interest rates if converted to loans. Because these commitments are generally unassignable by either the Company or the borrower, they only have value to the Company and the borrower. The estimated fair value approximates the recorded deferred fee amounts.

Off-Balance-Sheet Instruments: The estimated amounts that the Company would receive or pay, based upon dealer quotes, to terminate such agreements is used to determine estimated fair value.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1992 are as follows:

	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 98,991,000	$ 98,991,000
Investment securities	59,315,000	59,455,000
Loans, net	1,042,478,000	1,059,150,000
Excess servicing rights	1,455,000	5,000,000
Financial Liabilities:		
Deposits	698,772,000	707,020,000
FHLB advances and other borrowings	375,205,000	374,246,000
Debentures	55,050,000	56,180,000
Off-Balance-Sheet Instruments:		
Interest rate caps purchased	2,235,000	550,000
Options on futures contracts	—	280,000

III

FINANCIAL ENTERPRISES OTHER THAN BANKS

Financial enterprises other than banks are also parties to financial instruments for which fair value must be disclosed in accordance with FASB Statement No. 107. Examples of information disclosed in accordance with FASB Statement No. 107 by forty-two such enterprises are presented below. The examples are classified according to which of these types of financial enterprises is the primary component of the disclosing enterprise:

- Personal or business credit institutions
- Security brokers, dealers, or flotation companies
- Life or accident and health insurance companies
- Fire, marine, or casualty insurance companies
- Surety or title insurance companies
- Other financial enterprises

PERSONAL OR BUSINESS CREDIT INSTITUTIONS

AMERICAN GENERAL FINANCE CORPORATION, DECEMBER 31, 1992

American General Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1992

Note 1. Summary of Significant Accounting Policies

. . . .

Fair Value of Financial Instruments. In December 1991, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 107, "Disclosures about Fair Value of Financial Instruments," which requires disclosure 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 assumptions used, including the 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.

Cash and Cash Equivalents. The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents approximate those assets' fair values.

Marketable Securities. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Finance Receivables. The fair values for fixed-rate finance receivables are estimated using discounted cash flow analysis, using interest rates currently being offered for finance receivables with similar terms to borrowers of similar credit quality. For variable-rate finance receivables that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Interest Conversion Agreements. Fair values for the Company's interest conversion agreements are based on estimates obtained from the individual counterparties of the cost or benefit of terminating the agreements as of December 31, 1992.

Unused Customer Credit Lines. The fair value of the unused credit lines available to the Company's customers is considered to be zero. The interest rates charged on these facilities are either variable and reprice frequently or can be changed at the Company's discretion. Furthermore, these amounts, in part or in total, may be cancelled at the discretion of the Company.

Credit Facilities. The Company's committed credit facilities are substantially short-term, and therefore no fair value is determined.

Long-Term Debt. The fair values of the Company's long-term borrowings are based on quoted market prices, where available. If quoted market prices are not available, the fair values are estimated using discounted cash flow analyses, based on the Company's current incremental rates for similar types of borrowing arrangements.

Short-Term Notes Payable. The carrying value of short-term notes payable approximates the fair value.

. . . .

Note 5. Finance Receivables

. . . .

The fair values determined for finance receivables as of December 31, 1992 approximate the carrying amounts reported in the Consolidated Balance Sheets net of the allowance for finance receivable losses. Care should be exercised in drawing conclusions based on the estimated fair values at the end of the year, since such fair value estimates are based only on the value of the finance receivables and do not reflect the value of the underlying customer relationships or the related distribution system.

Note 9. Short-Term Notes Payable

. . . .

Interest conversion agreements in which the Company contracted to pay interest at fixed rates and receive interest at floating rates were $415.0 million, $765.0 million, and $1.05 billion in notional amounts at December 31, 1992, 1991, and 1990, respectively. The fair value of these agreements was $19.9 million, which would have been the cost of terminating them at December 31, 1992. . . .

Note 12. Long-Term Debt

. . . .

	Carrying Value		Fair Value
	1992	1991	1992
	(dollars in thousands)		
Type of Debt			
Senior	$3,109,224	$2,402,179	$3,251,489
Senior subordinated	449,177	374,382	478,470
Total	$3,558,401	$2,776,561	$3,729,959

. . . .

ASSOCIATES CORPORATION OF NORTH AMERICA, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Associates Corporation of North America

Note 2 — Significant Accounting Policies

. . . .

Disclosures About Fair Value of Financial Instruments. The consolidated financial statements present the information required by Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures about Fair Value of Financial Instruments." Amounts disclosed represent estimates of fair values at a particular point in time. Significant assumptions regarding economic conditions, loss experience and risk characteristics associated with particular financial instruments and other factors were used for purposes of this disclosure. These assumptions are subjective in nature and involve matters of judgment. Changes in assumptions could have a material impact on these estimates.

. . . .

Note 3 — Finance Receivables

. . . .

Estimated Fair Value of Net Finance Receivables. The estimated fair value of net finance receivables at December 31, 1992 was approximately $23.9 billion. In order to determine the fair values of loans, the loan portfolio was segmented based on loan type, credit quality and repricing characteristics. The fair value was estimated by discounting the expected cash flows from such loans at discount rates which approximate gross finance charge rates that would achieve an expected return on assets with similar risk characteristics. The estimated fair value of the credit card receivables was based on the Company's experience in pricing similar portfolios for acquisition purposes.

. . . .

Note 6 — Notes Payable

. . . .

The amounts reported in the Consolidated Balance Sheet approximate fair value.

Note 7 — Long-Term Debt

. . . .

The estimated fair value of long-term debt at December 31, 1992 was $11.9 billion. For publicly traded debt, estimated fair values were based on quoted market prices. Where such prices were not available, fair values were estimated by discounting expected cash flows at discount rates currently available to the Company for debt with similar terms and remaining maturities.

. . . .

Note 13 — Other Assets

. . . .

Other assets include residential real estate-secured receivables held for sale by Associates National Mortgage Corporation, a subsidiary of the Company. At December 31, 1992, the aggregate book value was $78.4 million, which approximates estimated fair value. The estimated fair value was determined by discounting expected cash flows from such receivables at current market rates.

Note 14 — Transactions and Balances With Related Parties

. . . .

Associates provided debt financing to certain of its former foreign subsidiaries. . . . These receivables bear fluctuating interest rates and are payable on demand. . . . The Company believes that recorded value represents estimated fair value.

. . . .

The Company guarantees the outstanding amount of commercial paper, including accrued interest, issued by Associates Financial Services Company of Puerto Rico, Inc. ("Puerto Rico"), an affiliate. . . . The Company charges Puerto Rico a fee for the guarantee, calculated as 1% of the average outstanding debt, which it believes represents fair value.

The Company guarantees the outstanding amount of short- and long-term debt, including accrued interest, of Associates Capital Corporation of Canada ("Canada"), an affiliate. . . . The Company charges Canada a fee for the guarantee, calculated as 0.5% of the average outstanding debt guaranteed, which it believes represents fair value.

. . . .

Note 15 — Financial Instruments With Off-Balance-Sheet Risks

. . . .

The estimated fair value of amounts under currency swap contracts at December 31, 1992 is $273.0 million. Fair value was estimated as the amount under currency swap contracts adjusted for the net exchange loss that would be incurred, based on December 31, 1992 currency exchange rates, if the contracts were terminated on that date.

The consumer operation grants revolving lines of credit to certain of its customers. At December 31, 1992, the unused portion of these lines aggregated approximately $657.6 million. The potential risk associated with, and the estimated fair value of, the unused credit lines are not considered to be significant.

The commercial operation grants lines of credit to certain dealers of truck, construction equipment and manufactured housing. At December 31, 1992, the unused portion of these lines aggregated approximately $476.9 million. The potential risk associated with, and the estimated fair value of, the unused credit lines are not considered to be significant.

BENEFICIAL CORPORATION, DECEMBER 31, 1992

Notes to Financial Statements
(in millions, except per share amounts)

24. Disclosures About Fair Value of Financial Instruments

The Company is required by FAS No. 107, "Disclosures about Fair Value of Financial Instruments," to disclose the estimated fair value of financial instruments, both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value. The estimated fair value amounts in the following disclosure have been determined by the Company using available market information and appropriate valuation methodologies. The estimates are not necessarily indicative of the amounts the Company could realize in a current market exchange, and the use of different market assumptions or methodologies could have a material effect on the estimated fair value amounts.

December 31, 1992	Carrying Value	Estimated Fair Value
Assets:		
Cash and equivalents	$ 189.5	$ 189.5
Investment securities	943.4	966.0
Finance receivables, net	9,329.9	10,220.7
Liabilities:		
Short-term debt	2,649.8	2,649.8
Deposits	658.7	658.7
Long-term debt	5,847.7	6,213.8
Accounts payable	364.4	364.4
Off-balance-sheet unrealized losses:		
Foreign currency options, and interest-rate swaps		(.3)

The fair value of investment securities is based on quoted market prices. The fair market valuation of finance receivables was estimated by discounting the future cash flows over the estimated remaining term, based on past cash collection experience. For sales finance products, the carrying amount is a reasonable estimate of fair value, as their true value lies in conversion to other products. The discount factor was determined taking into consideration current funding costs, chargeoff experience, and premiums paid on acquisitions of receivables with similar characteristics. Demand deposits are shown at their face values. For short-term and long-term debt, the fair values are estimated using the interest rates currently offered for debt with similar terms and remaining maturities. The estimated fair value of accounts payable approximates their carrying value. The fair value of interest-rate swap agreements and foreign-exchange options is the estimated amount the Company would receive or pay to terminate the agreements at the balance sheet date, taking into account current interest rates, foreign exchange rates, and the creditworthiness of the counterparties.

The fair value estimates presented are based on information available to the Company as of December 31, 1992, and have not been revalued since that date. While management is not aware of any significant factors that would affect the estimates since that date, current estimates of fair value could differ significantly from the amounts disclosed.

FIRST MARYLAND BANCORP, DECEMBER 31, 1992

First Maryland Bancorp and Subsidiaries
Notes to Consolidated Financial Statements

20. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("Statement 107"), requires that the Corporation disclose estimated fair values for financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Corporation's financial instruments.

Cash and Due From Banks. The carrying amounts for cash and due from banks reported on the consolidated statements of condition approximate fair value due to the short maturity of these instruments.

Money Market Investments. Money market investments include interest bearing deposits in other banks, trading account securities, federal funds sold, and securities purchased under agreements to resell. Fair values were determined as follows:

Interest bearing deposits in other banks — The fair value of interest bearing deposits in other banks was determined by discounting the cash flows associated with these instruments using an appropriate discount rate. Current middle market rates for deposits with similar characteristics to the financial instrument being valued were obtained from offshore Eurodollar dealers and used as discount rates.

Trading account securities — The fair values for the Corporation's trading account securities are based on quoted market prices and trading account securities are recognized on the consolidated statements of condition at fair value.

Federal funds sold — The carrying amount of federal funds sold reported on the consolidated statement of condition approximates fair value due to the overnight maturity of these instruments.

Securities purchased under agreements to resell — The fair value of securities purchased under agreements to resell was determined by discounting the cash flows associated with these instruments using an appropriate discount rate. Market rates for financial instruments with similar characteristics to the financial instrument being valued were used as the discount rate. Market rates were based on an average of quotes obtained from several securities dealers.

The carrying values and fair values of money market investments consisted of the following at December 31, 1992:

	Carrying Amount	Fair Value
	(in thousands)	
Interest bearing deposits in other banks	$20,100	$20,105
Trading account securities	7,616	7,616
Securities purchased under agreements to resell	22,122	22,123
Total money market instruments	$49,838	$49,844

Investment Securities. The fair value of investment securities is based on bid prices received from an external pricing service or bid quotations received from external securities dealers.

The carrying amounts and fair values of investment securities are presented in Note 5 of the Notes to the Consolidated Financial Statements.

Loans. Loans were segmented into portfolios with similar financial characteristics. Loans were segmented by type such as commercial, commercial real estate, residential mortgage, retail, bankcard and foreign loans. Each loan category was further segmented by fixed and adjustable rate interest terms and by performing and nonperforming categories. Taxable fixed rate loans were valued separately from tax exempt loans. Commercial real estate was further segmented between investment and owner occupied properties.

The fair value of LDC loans was based on market quotes where available and, where not available, on quoted market prices of LDC debt with similar characteristics with appropriate adjustments if necessary.

The fair value of fixed rate performing loans except residential mortgages was calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan portfolio. The estimated maturity was based on the Corporation's historical experience with repayments for each loan classification modified, as required, by an estimate of the effect of current economic and lending conditions. Adjustable rate loans were considered to be at fair value if there had not been any significant deterioration in the credit risk of the borrower. Adjustable rate loans which had deteriorated in credit quality since their origination date were further discounted to reflect a reduction in fair value. Residential mortgages were valued based on quoted market prices for comparable mortgage backed securities.

The fair value for significant nonperforming loans was determined by reducing the book value of nonperforming loans by the specific loan losses reserves established for these loans. Specific reserves were established by using appraisals, available market information and specific borrower information.

The fair value estimate for bankcard receivables is based on the value of existing loans at December 31, 1992. This estimate does not include the value that relates to estimated cash flows from new loans generated from existing cardholders over the remaining life of the portfolio. Recent portfolio sales indicate that if this additional value had been considered, the fair value estimate for bankcard receivables would have increased by approximately 10% of the carrying amount of the receivables.

The carrying amounts and fair values of loans receivable consisted of the following at December 31, 1992:

	Carrying Amount	Fair Value
	(in thousands)	
Commercial	$1,744,410	$1,733,368
Real estate, construction	326,756	309,500
Real estate, mortgage:		
Residential	381,696	390,952
Commercial	896,965	875,072

20. Fair Value of Financial Instruments (continued)

	Carrying Amount	Fair Value
	(in thousands)	
Retail	940,728	943,891
Bankcard	494,851	520,136
Foreign	175,387	172,074
	4,960,793	4,944,993
Allowance for credit losses	(196,331)	
Total loans	$4,764,462	$4,944,993

The majority of the loans held for possible sale at December 31, 1992 were residential mortgages. The carrying amount and fair value of loans held for possible sale at December 31, 1992 follow:

	Carrying Amount	Fair Value
	(in thousands)	
Loans held for possible sale	$158,108	$160,189

Accrued Interest Receivable. The carrying amount of accrued interest receivable approximates its market value.

Deposits. Under Statement 107 the fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, interest bearing demand deposits, money market and savings accounts, is equal to the amount payable on demand as of December 31, 1992. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate for retail certificates of deposits was estimated using the rate currently offered for deposits of similar remaining maturities. The discount rate for large denomination time deposits which includes commercial, brokered, public funds and negotiable CDs and deposit notes was determined by using quotations from pricing services or obtaining quotes from securities dealers depending on the type of deposit being valued.

The carrying amounts and fair values of deposits consisted of the following at December 31, 1992.

	Carrying Amount	Fair Value
	(in thousands)	
Noninterest bearing deposits	$1,801,942	$1,801,942
Interest bearing demand	538,279	538,279
Money market accounts	1,456,743	1,456,743
Savings	913,124	913,124
Retail time	1,550,579	1,560,020
Large denomination time	440,002	449,093
Foreign time	118,422	118,418
Total deposits	$6,819,091	$6,837,619

Federal Funds Purchased and Securities Sold Under Repurchase Agreements. Federal funds purchased— The carrying amount of federal funds purchased approximates its fair value due to the overnight maturities of these financial instruments.

Securities sold under agreements to repurchase — The fair value of securities sold under agreements to repurchase was determined by discounting the cash flows associated with these instruments using an appropriate discount rate. Market rates for financial instruments with similar characteristics to the financial instrument being valued were used as the discount rate. Market rates were based on an average of quotes obtained from several securities dealers. In the case of dollar roll repurchase agreements which are unique instruments with no quoted market rates, market values were estimated using an equivalent maturity repurchase agreement market rate.

The carrying amounts and fair values of federal funds purchased and securities sold under repurchase agreements consisted of the following at December 31, 1992:

	Carrying Amount	Fair Value
	(in thousands)	
Federal funds purchased	$309,350	$309,350
Securities sold under agreements to repurchase	270,163	270,126
	$579,513	$579,476

Other Borrowed Funds, Short-Term. The master demand notes of the Corporation and the Treasury tax and loan demand notes of First National reprice daily. The carrying amount of these financial instruments approximates fair value. The book value of other short-term borrowings also approximates its fair value.

Long-Term Debt. The fair value of long-term debt was calculated by discounting the cash flows associated with these instruments using appropriate discount rates. Market rates for financial instruments with equivalent credit risk characteristics and equivalent maturities were obtained from investment bankers and used as discount rates in the valuation model.

The carrying amount and fair values of long-term borrowings consisted of the following at December 31, 1992.

	Carrying Amount	Fair Value
	(in thousands)	
Long-term debt	$190,396	$201,466

Accrued Interest Payable. The carrying amount of accrued interest payable approximates its market value.

Interest Rate Swaps Agreements, Swaptions, Financial Futures and Interest Rate Caps and Floors. The fair value of interest rate swaps, swaptions and interest rate caps and floors is obtained from dealer quotes. These values represent the estimated amount the Corporation would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the creditworthiness of the counterparties. All of the Corporation's futures and forward contracts are marked to market, therefore, the consolidated statement of condition would reflect any unrealized gain or losses on futures contracts at December 31, 1992.

The notional amount, and estimated fair market value for interest rate swaps, interest rate caps and floors, and swaptions at December 31, 1992 consisted of the following:

	Notional Amount	Fair Value
	(in thousands)	
Interest rate swaps	734,982	4,440
Interest rate caps and floors	388,432	(1,971)
Swaptions	15,000	(17)

Commitments to Extend Credit and Standby Letters of Credit. The Corporation's commercial loan, commercial mortgage and construction mortgage commitments to extend credit move with market rates, therefore, they are not subject to interest rate risk. A significant portion of the Corporation's commercial loan and commercial mortgage commitment fees are determined retrospectively and are recognized as service fee income on the fee determination date. It was not considered practicable to develop fair value disclosures for loan commitments due to the difficulty involved in estimating future commitment fees when the fee determination date is at the end of the determination period. Fee income recognized as noninterest income totaled $1.9 million for the year ended December 31, 1992. The Corporation had $24,569,000 of residential mortgage commitments outstanding at December 31, 1992 with an estimated fair value of $620,000.

The Corporation uses a variety of billing methods for its outstanding standby and commercial letters of credit. Fees may be billed in advance or in arrears on an annual, quarterly or monthly basis. It was not considered practicable to perform a fair value calculation on standby and commercial letters of credit because each customer relationship would have to be separately evaluated. The majority of the Corporation's standby and commercial letters of credit would have a positive fair value due to the unbilled and unrecognized fee income associated with these off-balance-sheet commitments. At December 31, 1992, deferred commissions on standby and commercial letters of credit totaled $602,000. Total fee income on standby and commercial letters of credit was $4.4 million for the year ended December 31, 1992.

Limitations. Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Corporation's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Corporation's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

FORD MOTOR CREDIT COMPANY, DECEMBER 31, 1992

Ford Motor Credit Company
Notes to Financial Statements

Note 16. Financial Instruments

Book and Estimated Fair Value of Financial Instruments. The estimated fair value of financial instruments held by Ford Credit and its subsidiaries, and the valuation techniques used to estimate the fair value, were as follows:

	December 31, 1992	
	Book Value	Estimated Fair Value
	(in millions)	
Assets		
Cash and cash equivalents	$ 295.0	$ 295.0
Investments in securities	1,426.5	1,426.5

	December 31, 1992	
	Book Value	Estimated Fair Value
	(*in millions*)	
Finance receivables	42,109.6	42,380.0
Liabilities		
Debt payable after one year	$21,437.5	$22,553.0

Cash and cash equivalents. The book value approximates fair value because of the short maturity of these instruments.

Investments in securities. Investments in securities include preferred stock of an affiliate and a nonaffiliate, which were acquired from Ford, and retained net interests in receivable sales. Preferred stock is recorded at cost, which approximates fair value, as Ford provides Ford Credit with certain guarantees related to Ford Credit's initial investment and return on investment. Retained net interests in receivable sales are recorded at and periodically adjusted to the present value of estimated future cash flows discounted at rates commensurate with this type of instrument, which approximates fair value.

Finance receivables. The fair value of most receivables is estimated by discounting future cash flows using an estimated discount rate which reflects the credit, interest rate and prepayment risks associated with similar types of instruments. For receivables with short maturities, the book values approximate fair values.

Debt. The fair value is estimated based on quoted market prices or on current rates for similar debt with the same remaining maturities.

GREEN TREE FINANCIAL CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Green Tree Financial Corporation and Subsidiaries
Years Ended December 31, 1992, 1991 and 1990

H. Fair Value Disclosure of Financial Instruments

Statement of Financial Accounting Standards No. 107 (FAS 107), "Disclosures about Fair Value of Financial Instruments," requires that the Company disclose the estimated fair values of its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments.

Cash and cash equivalents, cash deposits and other investments: The carrying amount of cash and cash equivalents, cash deposits and other investments approximates fair value because they generally mature in 90 days or less and do not present unanticipated credit concerns.

Excess servicing rights receivable: Excess servicing rights receivable is calculated using prepayment, default and interest rate assumptions that the Company believes market participants would use for similar instruments at the time of sale. Projected performance is monitored on an ongoing basis. However, the Company does not change the underlying rate at which future estimated cash flows are discounted once the initial sale has been recorded. As such, the fair value of excess servicing rights receivable primarily includes consideration of an appropriate discount rate to be applied to the financial instrument as a whole.

The Company has consulted with investment bankers and obtained an estimate of a market discount rate as of December 31, 1992, though no market exists at this time for its excess servicing rights receivable. Utilizing this market discount rate, and such other assumptions as the Company believes market participants would use for similar instruments, the Company has estimated the fair value of its excess servicing rights receivable to approximate its carrying value as of December 31, 1992.

Contracts held for sale and as collateral: Contracts held for sale and as collateral are generally recent originations which will be sold during the following quarter. The Company does not charge origination fees or points and, as such, its contracts have origination rates generally in excess of rates on the securities into which they will be pooled. Since these contracts have not been committed into sales contracts as of December 31, 1992, the Company estimates the fair value to be the carrying amount plus the cost of origination.

Collateral in process of liquidation: Collateral in the process of liquidation is valued on an individual unit basis after inspection of such collateral. The difference between carrying amount and fair value is carried as a liability by the Company in the allowance for losses on contracts sold with recourse.

Other contracts held: Pursuant to investor sale agreements, certain contracts are repurchased by the Company as a result of delinquency before they are repossessed, and are included in other contracts held. The loss has been estimated on an aggregate basis, and is included on the balance sheet in allowance for losses on contracts sold with recourse.

Notes payable: Notes payable consists of amounts payable under the Company's warehouse line or repurchase agreements and, given its short-term nature, is at a rate which approximates market as of December 31, 1992. As such, fair value approximates carrying amount.

Senior notes: The fair value of the Company's senior notes is estimated based on the quoted market price of similar issues or on the current rates offered to the Company for debt of a similar maturity. The Company's carrying amount approximates fair value as of December 31, 1992.

Senior subordinated notes and debentures: The Company's senior subordinated notes and debentures are valued at quoted market prices as of December 31, 1992.

The carrying amounts and estimated fair values of the Company's financial assets and liabilities are as follows:

	December 31, 1992	
(in thousands)	Carrying Amount	Estimated Fair Value
Financial assets:		
Cash and cash equivalents, cash deposits and other investments	$239,366	$239,366
Excess servicing rights receivable	532,440	532,440
Contracts held for sale and as collateral	136,065	140,827
Collateral in process of liquidation	46,252	31,339
Other contracts held	11,652	7,895
Financial liabilities:		
Notes payable	79,438	79,438
Senior notes due 1999	12,000	12,000
Senior subordinated notes due 2002	262,093	277,944
Senior subordinated debentures due 1995	18,262	20,246

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. The estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future loss and prepayment experience, current economic conditions, specific risk characteristics and other factors. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the Company has a regional branch network with significant dealer relationships and a proprietary credit scoring system, both of which contribute heavily to the Company's ongoing profitability and neither of which is considered a financial instrument.

MBNA CORPORATION, DECEMBER 31, 1992

MBNA Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note A: Summary of Significant Accounting Policies

. . . .

Fair Values of Financial Instruments. A new accounting standard was issued in December 1991 requiring disclosure of fair value information about financial instruments effective for fiscal years ending after December 15, 1992, 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, the new standard permits fair values to be based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the 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 an immediate sale of the instrument. This standard excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented in these notes to the consolidated financial statements do not represent the underlying value of the Corporation.

Cash and Cash Equivalents: Cash and cash equivalents include cash and due from banks and are carried at an amount that approximates fair value.

Money Market Instruments: Money market instruments include interest-earning time deposits in other banks and federal funds sold and securities purchased under resale agreements. As a result of the short-term nature of these instruments, the carrying amounts reported in the balance sheet approximate those assets' fair value.

Investment Securities: Fair value is based on the market value of the individual investment security without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, or estimated transaction costs. Market value for investment securities is determined based on quoted market prices or dealer quotes.

Credit Card Loans Held for Securitization: The carrying value of credit card loans held for securitization approximates fair value due to the short-term nature of these assets.

Accrued Interest Receivable: Accrued interest receivable includes interest income earned but not yet received from investment securities, money market instruments, loan receivables, and interest rate swaps. The carrying amount approximates fair value.

Credit Card Fraud Transactions: The carrying value of fraudulent credit card transactions approximates fair value due to the short-term nature of these assets.

Accrued Interest Payable: Accrued interest payable includes interest incurred but not yet paid for deposits, short-term borrowings, and long-term debt and bank notes. The carrying amount approximates fair value.

Interest Rate Swaps: The fair value of interest rate swaps is determined based on quoted market prices or dealer quotes.

Note C: Loan Portfolio

. . . .

The fair value of the Corporation's loan portfolio is $3,329,000, compared to a carrying value of $3,203,070 as of December 31, 1992. The fair value was estimated for the existing loan portfolio at December 31, 1992, by discounting the future cash flows of certain homogeneous categories of consumer products of the Corporation using estimated discount rates that reflect the credit and interest rate risk inherent in the loan portfolio. Accordingly, the aggregate fair value amount does not represent the underlying value of the Corporation's loan portfolio.

Note F: Deposit Liabilities

The fair value of noninterest-bearing demand deposits, savings, interest-bearing transaction accounts, and money market deposit accounts is equal to the amount payable upon demand at December 31, 1992. The fair value of time deposits as of December 31, 1992, was $2,830,000, compared to a carrying value of $2,813,006. The fair value of time deposits was estimated by discounting the cash flows of the stated maturity products using estimated rates currently offered for like deposits.

The valuation does not include the benefit that results from the low-cost funding provided by the various deposit liabilities compared to the cost of borrowing funds in the market.

Note G: Short-Term Borrowings

. . . . As a result of the short-term nature of these instruments, the carrying value approximates their fair value.

Note H: Long-Term Debt and Bank Notes

Long-term debt and bank notes consist of borrowings having an original maturity of one year or more. The fair value of the Corporation's long-term debt and bank notes is $463,000 based on quoted market prices or dealer quotes, compared to a carrying value of $470,601 at December 31, 1992.

. . . .

Note P: Asset Securitizations

. . . .

The fair value of accounts receivable from securitizations at December 31, 1992, was estimated to be $571,000, as determined by discounting the future cash flows from the maturing securitizations using rates currently available to the Corporation for instruments with similar terms and remaining maturities, as compared to the carrying value of $581,046.

PRIMERICA CORPORATION, DECEMBER 31, 1992

Primerica Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(in millions of dollars, except per share amounts)

1. Summary of Significant Accounting Policies

. . . .

Financial Instruments — Disclosures About Fair Value. Included in the Notes to Consolidated Financial Statements are various disclosures relating to the methods and assumptions used to estimate fair value of each material type of financial instrument. The carrying value of short-term financial instruments approximates fair value because of the relatively short period of time between the origination of the instruments and their expected realization. The carrying value of receivables and payables arising in the ordinary course of business approximates fair market value. The fair value assumptions were based upon subjective estimates of market conditions and perceived risks of the financial instruments at a certain point in time. Disclosed fair values for financial instruments do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

. . . .

5. Consumer Finance Receivables

. . . .

The estimated fair value of the consumer finance receivables portfolio depends on the methodology selected to value such portfolio (i.e., entry value versus exit value). Entry value is determined by comparing the portfolio yields to the yield at which new loans are being originated. Under the entry value methodology, the estimated fair value of the receivables portfolio is approximately $50 to $60 above the recorded carrying values. Exit value represents a valuation of the portfolio based upon sales of comparable portfolios which takes into account the value of customer relationships and the current level of funding costs. Under the exit value methodology, the estimated fair value of the receivables portfolio is approximately $425 to $500 above the recorded carrying value.

. . . .

7. Repurchase and Resale Agreements

. . . . The carrying amounts of these instruments approximate fair value because of the relatively short period of time between the origination of the instruments and their expected realization. . . .

10. Debt

. . . .

The carrying value of short-term debt approximates fair value.

. . . .

The fair value of the Company's long-term debt is estimated based on the quoted market price for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities. At December 31, 1992 these fair values were approximately:

Commercial Credit	$3,400
Primerica Corporation	600
Smith Barney	200
	$4,200

. . . .

SEARS ROEBUCK ACCEPTANCE CORPORATION, DECEMBER 31, 1992

Notes to Financial Statements

3. Retail Customer Receivable Balances

. . . .

The fair value of the net account balance at December 31, 1992 was $1,000.1 million.

4. Borrowings

. . . .

The short-term nature of substantially all of SRAC's financial instruments (both assets and liabilities) causes their carrying value to approximate fair value. The terms of the loan agreements with SOFNV have been negotiated between related parties; accordingly, the fair values of these instruments are not provided.

. . . .

SECURITY BROKERS, DEALERS, OR FLOTATION COMPANIES

ALEX BROWN INC., DECEMBER 31, 1992

Alex Brown Incorporated
Notes to Consolidated Financial Statements

10) Fair Value of Financial Instruments

Receivables. Receivables from customers and brokers, dealers and clearing organizations include margin loans which are payable on demand, amounts due on open transactions which usually settle within a few days, and cash deposits made in connection with securities borrowed transactions which normally can be closed out within a few days. The carrying amounts of these receivables, which are generally secured by marketable securities, and other receivables approximate fair value.

Firm Trading and Investment Securities (Long and Short). Firm trading and investment securities are carried in the financial statements at market value (see note 1).

Bank Loans. The principal balance of bank loans which are payable on demand is assumed to be the fair value of such loans. Term loans with an aggregate principal balance of $20,419,000 at December 31, 1992 have a fair value of $20,912,000 based on borrowing rates currently available to the Company for loans with similar terms and maturities.

Payables. Payables to customers and brokers, dealers and clearing organizations include free credit balances which are payable on demand, amounts due on open transactions which usually settle within a few days, and cash deposits received in connection with customer short sales and securities loaned transactions which normally can be closed out within a few days. Other payables include expense accruals and amounts due to other brokers resulting from securities underwritings. The carrying amount of payables approximates fair value.

Convertible Subordinated Debentures. The market value of the 5.75% convertible subordinated debentures was $24,125,000 at December 31, 1992 based on quoted market prices.

INTER REGIONAL FINANCIAL GROUP INC., DECEMBER 31, 1992

Inter-Regional Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 1992, 1991 and 1990

A. Summary of Significant Accounting Policies

. . . .

Fair Values of Financial Instruments. Substantially all of the Company's financial assets and liabilities are carried at market value or at amounts which, because of their short-term nature, approximate current fair value. The Company's borrowings, if recalculated based on current interest rates, would not differ significantly from the amounts recorded at December 31, 1992.

. . . .

MERRILL LYNCH & CO. INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Fair Value of Financial Instruments

SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires companies to report the fair value of certain financial instruments. Approximately 90% of the Corporation's financial instruments are carried at fair value or amounts which approximate fair value.

Assets, including cash and cash equivalents, cash segregated and securities owned on deposit for regulatory and other purposes, resale agreements, securities borrowed, and receivables are carried at amounts which approximate fair value.

Trading inventories and commitments for securities sold but not yet purchased are carried at fair value. Fair value for these instruments is estimated using market quotations for traded instruments, market quotations of similar traded instruments and pricing models. Market quotations for traded instruments are obtained from various sources, including the major securities exchanges and dealers. Pricing models which consider the time value and volatility of underlying financial instruments are used to value swaps, derivatives and other contractual agreements.

The fair value of insurance subsidiaries' investments is generally estimated by market quotes obtained from exchanges for listed securities or dealers for unlisted securities. At December 25, 1992, the fair value of these investments was $9,337,816.

In connection with its merchant banking activities, the Corporation holds certain equity instruments including partnership interests (included in other investments), and loans consisting primarily of senior and subordinated debt. Fair value for equity instruments is estimated using a number of methods including earnings multiples, cash flow analyses, review of underlying financial conditions and other market factors. These instruments may be subject to restrictions (e.g., minority ownership, consent of other investors) which may limit the Corporation's ability to realize currently the estimated fair value. Accordingly, the Corporation's current estimate of fair value and its ultimate realization on these instruments may differ. Loans made in connection with merchant banking activities are carried at unpaid principal balances less a reserve for estimated losses. Fair value is estimated using discounted cash flows. The aggregate carrying and fair values of the Corporation's merchant banking equity and debt portfolio at December 25, 1992 were $1,179,767 and $1,416,747, respectively.

The Corporation's estimate of fair value for its loans, notes and mortgages (excluding loans made in connection with merchant banking) is determined based on loan characteristics. For certain homogeneous categories of loans, including residential mortgages and home equity loans, fair value is estimated using market price quotations or previously executed transactions for securities backed by similar loans adjusted for credit risk and other individual loan characteristics. For the Corporation's floating rate loan receivables, carrying value approximates fair value. At December 25, 1992, the carrying and fair values of loans, notes and mortgages (excluding the merchant banking loans valued above) were $1,746,333 and $1,756,706, respectively.

Also included in other investments are U.S. Government and agencies securities held by subsidiaries of the Corporation to meet rating agency and other requirements. The fair value of these investment securities is estimated using market quotations and approximates carrying value.

Liabilities, including repurchase agreements, commercial paper and other short-term borrowings, customers, brokers and dealers, and other liabilities and accrued interest are carried at amounts which approximate fair value.

Certain insurance liabilities are exempt from the provisions of SFAS No. 107. For insurance liabilities meeting the requirements (e.g., single and flexible premium deferred annuities), fair value is estimated based upon the greater of the cash surrender value of the policy, or the projected cash surrender value at the end of the guarantee period, discounted at prevailing market rates. At December 25, 1992, the carrying and fair values of these insurance liabilities were $5,856,800 and $6,069,300, respectively.

For substantially all long-term borrowings, the Corporation enters into swap agreements to convert fixed interest rate payments into floating rate payments or to hedge foreign currency exposures. Fair value of these borrowings and related hedge instruments was estimated using current market prices and pricing models. At December 25, 1992, the fair value of these borrowings and related hedge instruments exceeds their carrying value by $17,040.

Financial Instruments With Off-Balance-Sheet Risk and Concentrations of Credit Risk

. . . .

The notional or contractual values of forward contracts and swap agreements do not represent exposure to credit risk, which is limited to the current cost of replacing those contracts in a gain position. At December 25, 1992 and December 27, 1991, the replacement cost (fair value) for forward contracts was $1,227,000 and $1,513,000, and for swap agreements was $3,396,000 and $2,428,000, respectively. . . .

MORGAN STANLEY GROUP INC., JANUARY 31, 1993

Morgan Stanley 1992 Annual Report
Notes to Consolidated Financial Statements
(in thousands, except share data)

Note 1. Summary of Significant Accounting Policies

. . . .

Financial Instruments. Financial instruments owned and financial instruments sold, not yet purchased are recorded at market value, and unrealized gains and losses are reflected in revenues. Market value is generally based on listed market prices. If listed market prices are not available or if liquidating the Company's positions would reasonably be expected to impact market prices, market value is determined based on other relevant factors, including dealer price quotations, time value and volatility factors underlying the financial instruments, and price quotations for similar instruments traded in different markets, including markets located in different geographic areas. . . .

Note 3. Long-Term Borrowings

. . . .

The estimated market value of the Company's long-term debt, based on rates available to the Company at January 31, 1993 for debt with similar terms and maturities, is $4,199,900, which exceeds the aggregate carrying value (based on historical issuance proceeds) by $239,900. However, unrecognized gains on interest rate swaps and other transactions used by the Company to manage its interest rate and foreign currency risk, as described above, substantially offset the unrecognized increase in the estimated market value of the Company's debt. The unrecognized gains on these hedge transactions reflect the estimated amounts the Company would receive if the agreements underlying these transactions were terminated, as calculated based on current market rates as of January 31, 1993.

. . . .

Note 4. Commitments and Contingencies

. . . .

Financial Instruments

. . . .

The gross notional or contract amounts of these instruments and net replacement cost for purchased options and other contracts in a gain position at January 31, 1993, are listed in the table which follows. Net replacement cost represents amounts receivable from various counterparties on purchased OTC options and other contracts (including interest rate, foreign exchange and other forward contracts and swaps) in gain positions net of any unrealized losses owed to these counterparties on offsetting positions in situations where there is a legal right of set-off and the Company has an applicable netting agreement. This amount will vary based on changes in market prices and is included in the Consolidated Statement of Financial Condition.

	January 31, 1993 (1)		December 31, 1991
(in millions of dollars)	Gross Notional/ Contract Amounts (2)	Net Replacement Cost	Gross Notional/ Contract Amounts (2)
Interest rate and currency swaps and options	$129,667	$ 2,194	$87,865
Foreign exchange forward and futures contracts and options	133,315	1,647	77,700

Note 4. Commitments and Contingencies (continued)

(in millions of dollars)	January 31, 1993 (1) Gross Notional/ Contract Amounts (2)	January 31, 1993 (1) Net Replacement Cost	December 31, 1991 Gross Notional/ Contract Amounts (2)
Mortgage-backed securities forward contracts and options	33,783	110	31,577
Other fixed income securities contracts (including futures contracts and warrants and options)	108,747	59	83,421
Equity securities contracts (including futures contracts and warrants and options)	53,208	668	47,276

(1) Not included above are gross notional and contract amounts relating to commodity forwards, futures and swaps aggregating $24,432 at January 31, 1993. At that date, the net replacement cost of commodities contracts in a gain position was $777.

(2) Notional and contract amounts at January 31, 1993 and December 31, 1991 include $123,436 and $122,177 relating to purchased options (the market value of which is included in net replacement cost) and exclude $124,014 and $105,769 relating to written options. Since written options obligate the Company (not its counterparty) to perform, they do not give rise to counterparty credit risk and have no net replacement cost.

The gross notional or contract amounts identified above are only indicative of the significance of the Company's use of these financial instruments. They do not represent the amounts subject to market risks and do not reflect the extent to which these positions are related to or offset other transactions. In many cases, these financial instruments serve to reduce, rather then increase, the Company's exposure to losses from market and other risks.

. . . .

QUICK & REILLY GROUP INC., FEBRUARY 28, 1993

The Quick & Reilly Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 — Receivable From and Payable to Brokers, Dealers and Clearing Organizations

. . . .

As these amounts are short-term in nature, their carrying amount is a reasonable estimate of fair market value.

Note 4 — Receivable and Payable to Customers

. . . . As these amounts are short-term in nature, their carrying amount is a reasonable estimate of fair market value.

Notes to Consolidated Financial Statements

Summary of Accounting Policies

. . . .

Financial instruments are recorded at either market or fair value. The determination of market or fair value considers various factors, including: closing exchange or over-the-counter market price quotations; time value and volatility factors underlying options, warrants and contractual commitments; price activity for equivalent or synthetic instruments in markets located in different time zones and the potential impact on market prices of liquidating the Company's positions in an orderly manner over a reasonable period of time under present market conditions. . . .

Note 15 — Market Risk and Concentrations of Credit Risk

. . . .

As noted in the Summary of Accounting Policies, the Consolidated Statement of Financial Condition includes the market or fair value of financial instrument options and contractual commitments involving future settlement. At December 31, 1992, the market or fair value of options and contractual commitments recorded as assets was $7.7 billion. Principal components were interest rate swap agreements ($3.3 billion), options owned ($3.1 billion) and forward currency contracts ($.8 billion). The market or fair value of financial instrument options and contractual commitments recorded as liabilities at December 31, 1992 was $6.1 billion. Principal components were interest rate swap agreements ($3.7 billion), options and warrants sold or written ($1.3 billion) and forward currency contracts ($.6 billion).

. . . .

Note 16 — Fair Value Information

The following information is provided to help users gain an understanding of the relationship between amounts reported in the Company's financial statements and the related market or fair value. Specific accounting policies are discussed in the Summary of Accounting Policies. The Company's assets and liabilities as of December 31, 1992 and 1991 can be characterized as follows:

	Assets		Liabilities	
(dollars in billions)	1992	1991	1992	1991
Items recorded at market or fair value	$ 85.5	$55.7	$ 46.3	$31.9
Items recorded at contractual amounts that approximate market or fair value	70.5	37.6	106.2	58.9
Items recorded at contractual or historical values that do not necessarily approximate market or fair value	3.5	4.1	2.7	2.6
Total assets and liabilities	$159.5	$97.4	$155.2	$93.4

Items recorded at contractual amounts that approximate market or fair value consist largely of short-term lending or borrowing agreements, non-U.S. dollar denominated collateralized mortgage obligations ("CMOs") and the assets securing these CMOs ("CMO collateral"), and a substantial portion of the Company's term debt. Because of the limited term to maturity of many of these instruments or their variable interest rates, their market values are not materially sensitive to shifts in market interest rates. Reverse repurchase agreements and other collateralized short-term financing agreements totaled $60.6 billion, representing 86% of such assets at December 31, 1992, up from $27.2 billion, or 72% of such assets a year ago. Non-U.S. dollar denominated CMO collateral, which consists primarily of variable rate mortgage instruments, totaled $3.6 billion, representing 5% of such assets at December 31, 1992, compared with $5.2 billion and 14% a year ago. Remaining assets that fall into this category consist primarily of short-term receivables and loans. Short-term borrowings totaled $88.4 billion, representing 83% of such liabilities at December 31, 1992, up from $40.4 billion and 69% at December 31, 1991. Non-U.S. dollar denominated CMOs, which are primarily variable rate obligations, totaled $3.4 billion, representing 3% of such liabilities at December 31, 1992, down from $4.9 billion and 8% a year ago. Remaining liabilities included in this category are short-term payables to customers and suppliers, deferred income taxes and a substantial portion of outstanding term debt. A sizable portion of the Company's deferred tax liability results from mark-to-market adjustments of financial and energy instruments which entail the use of present value techniques. Consequently, the impact of applying present value techniques is inherent in the related deferred taxes. Term debt is discussed below.

At December 31, 1992, 32% of the Company's term debt was variable rate; 21% was variable rate at December 31, 1991. Because the interest rates on variable rate debt are periodically determined by reference to specified market rates, the market value of such debt is much less sensitive to changes in market interest rates than the value of otherwise comparable fixed rate debt. Approximately 68% of the Company's term debt was fixed rate at December 31, 1992, compared with 79% a year ago. To minimize exposure to changes in interest rates, the Company utilizes financial instruments and contractual commitments, including rate swap agreements, that effectively convert most of its fixed interest rate debt into variable interest rate obligations. Consequently, the recorded values of variable rate debt, and fixed rate debt effectively converted into variable rate obligations, do not differ materially from their market values.

The largest components of items recorded at contractual or historical values that do not approximate market or fair value are U.S. dollar denominated CMOs and CMO collateral. The CMO collateral is composed primarily of fixed-rate mortgage backed securities guaranteed by U.S. government agencies. The CMOs are primarily fixed-rate obligations having cash flow characteristics almost identical to the CMO collateral. At December 31, 1992 and 1991, market interest rates were significantly lower than rates prevailing when most of the CMOs were issued. Consequently, the fair value of the CMOs and CMO collateral exceeds their carrying amounts. However, the CMOs and CMO collateral cannot be viewed independently. The unrealized gain on the CMO collateral cannot be realized without a similar realized loss on the extinguishment of the CMOs. Taken together, the fair value to the Company of the CMOs and CMO collateral is the present value of the difference between future cash inflows from the CMO collateral and the cash outflows to service the CMOs. Management believes this value is nominal.

Excluding U.S. dollar denominated CMO collateral, assets recorded at contractual or historical values that do not necessarily approximate market or fair value represented approximately 1% and 2% of total assets ($1.9 billion and $2.1 billion) at year-end 1992 and 1991, respectively. The largest asset class in this category is property, plant and equipment, which is recorded at historical cost less accumulated depreciation and amortization and totaled nearly $1 billion at December 31, 1992 and 1991. Phibro USA's fixed assets, primarily refining facilities, were carried at $449 million at the end of 1992. Phibro USA's minimum physical inventory of crude oil and other energy products, which is recorded at the lower of cost or market value, was carried at $209 million at December 31, 1992, $37 million less than its aggregate market value. Remaining assets recorded on an historical cost basis represent less than 1% of total assets.

Excluding U.S. dollar denominated CMOs, liabilities recorded at contractual or historical values that do not necessarily approximate market or fair value represented less than 1% of total liabilities ($1.2 billion and $700 million, respectively) at December 31, 1992 and 1991.

CHARLES SCHWAB CORPORATION, DECEMBER 31, 1992

The Charles Schwab Corporation
Notes to Consolidated Financial Statements

Significant Accounting Policies

. . . .

Estimated fair value of financial instruments — The Company adopted Statement of Financial Accounting Standards No. 107 — Disclosures about Fair Value of Financial Instruments — in 1992 as required by the FASB. Except for the estimated fair value amounts presented in the Long-Term and Subordinated Borrowings Note, the Company considers the amounts presented for financial instruments on the consolidated balance sheet to be reasonable estimates of fair value. The estimated fair value amounts presented for long-term and subordinated borrowings have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market transaction.

Long-Term and Subordinated Borrowings

. . . .

. . . .The fair value of the Senior and Junior Subordinated Debentures is estimated to be $120 million at December 31, 1992 based on estimates of market rates for debt with similar terms and remaining maturities.

. . . .

The fair value of the interest rate exchange arrangement is estimated to be $1 million at December 31, 1992 based on the amount that CSC would pay to terminate the swap arrangement, taking into account current market conditions.

. . . .

LIFE OR ACCIDENT AND HEALTH INSURANCE COMPANIES

AETNA LIFE AND CASUALTY COMPANY, DECEMBER 31, 1992

Notes to Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Disclosures About Fair Value of Financial Instruments. In 1992, the company adopted FAS No. 107, Disclosures about Fair Value of Financial Instruments, which requires companies to disclose fair value information about certain financial instruments. FAS No. 107 defines fair value as the quoted market prices for those instruments that are actively traded in financial markets. In cases where quoted market prices are not available, fair values are estimated using present value or other valuation techniques. The fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, such as estimates of timing and amount of expected future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instrument.

FAS No. 107 excludes certain financial instruments, particularly insurance liabilities other than financial guarantees and investment contracts, from its disclosure requirements. In evaluating the company's management of interest rate and liquidity risk, the fair values of all assets and liabilities should be taken into consideration.

. . . .

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, money market instruments and other debt issues with a maturity of 90 days or less when purchased. The carrying amounts reported in the Consolidated Balance Sheets approximate fair value of these instruments.

. . . .

Insurance Reserve Liabilities

. . . .

The fair value of investment contract liabilities included in policyholders' funds left with the company with a fixed maturity are estimated using discounted cash flow calculations based on interest rates currently being offered by the company for similar contracts. The carrying value of these liabilities was $14.6 billion at December 31, 1992 and fair value was estimated to be $15.8 billion. Investment contract liabilities included in policyholders' funds left with the company that do not have a a fixed maturity allow for withdrawal upon request. The fair value of these contracts is estimated as the amount payable to the contractholder upon demand. However, the company has the right, under such contracts, to delay payment of withdrawals which may ultimately result in paying an amount different than that determined to be payable upon demand at December 31, 1992. The carrying value of these liabilities without fixed maturities was $11.5 billion at December 31, 1992 and fair value was estimated to be $11.4 billion.

. . . .

4. Investments

. . . .

Mortgage loans are carried at unpaid principal balances, net of reserves. Fair value was estimated by discounting expected mortgage loan cash flows at market rates which reflect the rates at which similar loans would be made to similar borrowers. The rates reflect management's assessment of the credit quality and the remaining duration of the loans. The fair value estimate of mortgage loans of lower credit quality, including problem and restructured loans, was based on the estimated fair value of the underlying collateral. The fair value of the mortgage loan balance at December 31, 1992 was estimated to be $18.1 billion.

. . . .

8. Debt

. . . .

The estimated fair value of the company's long-term debt is based on quoted market prices for the same or similar issued debt or on the current rates estimated to be available to the company for debt of similar terms and remaining maturities. The fair value of the company's long-term debt at December 31, 1992 was estimated to be $977.1 million.

. . . .

15. Commitments and Contingent Liabilities

. . . .

Financial Guarantees. The company no longer writes municipal bond insurance and such business previously written by the company is reinsured with a subsidiary of MBIA Inc. The company held a 9.5% ownership interest in MBIA Inc., at December 31, 1992. It is not practicable to estimate the fair value of the business that has been ceded to MBIA Inc.

The Aetna Casualty and Surety Company, a subsidiary of Aetna Life and Casualty Company, also was a writer of financial guarantees on obligations secured by real estate, corporate debt obligations, and of municipal and non-municipal tax-exempt entities through December 31, 1987, and ceased writing such guarantees as of January 1, 1988. The aggregate net par value of financial guarantees outstanding at December 31, 1992 and 1991 was $1.1 billion and $1.6 billion, respectively. Future run-off of financial guarantees as of December 31, 1992 are estimated to be $123.0 million for 1993, $54.2 million for 1994, $249.6 million for 1995, $35.4 million for 1996, $174.5 million for 1997 and $469.6 million thereafter. It is not practicable to estimate a fair value for the company's financial guarantees because the company no longer writes such guarantees, there is no quoted market price for such contracts, and it is not practicable to reliably estimate the timing and amount of all future cash flows due to the unique nature of each of these contracts.

. . . .

AFLAC INC., DECEMBER 31, 1992

Notes to the Consolidated Financial Statements

(4) Fair Values of Financial Instruments

SFAS No. 107 requires the disclosure of the Company's estimated fair values for all financial instruments. The carrying amounts of cash, cash equivalents, short-term investments, premium receivables, investment receivables and payables and short-term notes payable approximate their fair values due to the short-term maturity of these instruments.

The carrying amounts and fair values (market values) of the Company's fixed-maturity and equity securities are disclosed in Note 3.

The fair values for mortgage loans are estimated using the quoted market prices for securities collateralized by similar mortgage loans, adjusted for the difference in loan characteristics. For mortgage loans where quoted market prices are not available, the fair values are estimated using discounted cash flow analysis and interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of these calculations. The fair values for notes payable are estimated using discounted cash flow analysis, based on the Company's current borrowing rates for similar types of borrowings.

The carrying values and estimated fair values of the Company's investments in mortgage loans and notes payable as of December 31, 1992, are as follows:

(in thousands)	Carrying Amount	Fair Value
Mortgage loans:		
Commercial mortgages	$ 59,227	$ 70,454
Residential mortgages	26,038	33,028
Total mortgage loans	$ 85,265	$103,482
Notes payable	$125,800	$114,044

KANSAS CITY LIFE INSURANCE COMPANY, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
(Amounts in tables are generally stated in thousands, except per share data.)

Significant Accounting Principles

. . . .

Fair Value of Financial Instruments. The carrying amounts for cash and short-term investments as reported in the accompanying balance sheet approximate their fair values. The fair values for fixed maturities are based on quoted market prices, where available. For fixed maturities not actively traded, fair values are estimated using values obtained from independent pricing services or, in the case of private placements, are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments. The fair values for equity securities are based on quoted market prices. Fair values for mortgage loans are based upon discounted cash flow analyses. The fair value of policy loans is their stated book value, $102,710,000 at December 31, 1992.

Fair values for the Company's liabilities under investment-type insurance contracts, included with other policyholder funds for supplementary contracts without life contingencies, and with accumulated contract values for flexible annuities, are estimated to be their cash surrender values. The carrying amounts and fair values of these liabilities at December 31, 1992, follow.

	Carrying Amount	Fair Value
Supplementary contracts without life contingencies	$ 23,280	$ 23,280
Individual and group annuities	$747,470	$722,850

Fair values for the Company's insurance contracts other than investment contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

The Company has repurchase agreements in which the carrying amounts approximate their fair value.

. . . .

Investment Operations

. . . .

Mortgage Loans

. . . .

At December 31, 1992, the mortgage portfolio is diversified geographically and by property type as follows.

	Carrying Amount	Fair Value
Geographic Region:		
Mountain	$115,085	$115,364
Pacific	103,518	104,755
West South Central	60,942	61,109
West North Central	41,363	41,288
Other	27,829	27,698
Valuation reserve	(7,000)	(7,000)
	$341,737	$343,214
Property Type:		
Industrial	$138,293	$139,413
Retail	83,234	83,771
Office	77,991	78,528
Other	42,219	48,502
Valuation reserve	(7,000)	(7,000)
	$341,737	$343,214

. . . .

MUTUAL OF AMERICA LIFE INSURANCE COMPANY, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
For the Years Ended December 31, 1992 and 1991

. . . .

Disclosures About Fair Value of Financial Instruments — In December 1991, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standards 107 ("SFAS 107"), Disclosures about Fair Value of Financial Instruments. SFAS 107 extends existing fair value disclosure practices by requiring all entities to disclose the fair value, where practicable, of its financial instruments. SFAS 107 does not require disclosure of certain financial instruments such as insurance contracts other than financial guarantees and investment contracts. Fair value estimates, methods and significant assumptions are disclosed in each of the relevant footnotes which follow.

. . . .

5. Long-Term Debt

. . . .

In connection with the acquisition of its new home office the Company obtained a $135.0 million, seven year, 6.91% fixed rate secured term note. Face value of the note approximates fair value of the instrument as of December 31, 1992. . . .

STATESMAN GROUP INC., DECEMBER 31, 1992

The Statesman Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1992

Note A — Significant Accounting Policies

. . . .

Fair Values of Financial Instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, short-term investments: The carrying amounts reported in the balance sheet for these instruments approximate their fair values.

Investment securities: Fair values for fixed maturity securities and equity securities are based on quoted market prices, where available. For investment securities not actively traded, fair values are estimated using values obtained from independent pricing services or, in the case of private placements, are estimated by considering current market interest rates applicable to the yield, credit quality, and for fixed maturity securities, the maturity of the investments. The fair values for equity securities are recognized in the balance sheet.

Mortgage loans and policy loans: The fair values for mortgage loans and policy loans are estimated using discounted cash flow analyses, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Off-balance-sheet financial instruments: Fair values for the Company's interest rate swaps and collar are based on bids from swap dealers which represent the net value or cost of terminating the contracts at the balance sheet date. Fair values for the Company's lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Investment contracts: Fair values for the Company's annuity contracts are equal to the cash surrender value available to the policyholder on the balance sheet date. Fair values for the Company's liabilities under other investment-type insurance contracts, such as supplementary contracts without life contingencies, are estimated using discounted cash flow calculations based on interest rates currently being offered for policies with similar contractual maturities.

The following table presents the reported value and estimated fair value of deferred and immediate annuities and supplementary contracts without life contingencies at December 31, 1992 (*in thousands*):

	Reported Value	Estimated Fair Value
Deferred and immediate annuities	$2,798,602	$2,612,922
Supplementary contracts without life contingencies	51,358	53,056
	$2,849,960	$2,665,978

Fair values for the Company's insurance contracts other than investment contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk.

Long-term debt and redeemable preferred stock: The fair value of the Company's fixed rate long-term debt is estimated using discounted cash flow analyses based on assumed incremental borrowing rates for similar duration borrowing arrangements. The fair value of the Company's variable rate long-term debt approximates its reported value. The fair value of the redeemable preferred stock issued by the Company's wholly owned subsidiary is based on quoted market prices. The fair value of the Company's redeemable preferred stock is based on pricing models for convertible equity securities.

. . . .

Note B — Investments

. . . .

The reported value and estimated fair value of the Company's equity securities, mortgage loans on real estate and policy loans at December 31, 1992 are as follows (*in thousands*):

	Reported Value	Estimated Fair Value
Common stocks	$ 9,963	$ 9,963
Non-redeemable preferred stocks	28,197	28,197
Total equity securities	$38,160	$38,160

Note B — Investments (continued)

	Reported Value	Estimated Fair Value
Commercial mortgages	$68,344	$69,101
Residential mortgages	19,742	20,076
Total mortgage loans	$88,086	$89,177
Policy loans	$53,403	$51,606

. . . .

Note D — Long-Term Debt

Long-term debt is summarized as follows (*in thousands*):

	Reported Value December 31,		Fair Value December 31, 1992
	1992	1991	
Parent company senior bank debt and ESOP notes payable to bank	$15,400	$18,500	$ 15,400
By subsidiaries 11½% subordinated debentures	30,000	30,000	32,760
Bank line of credit	22,110	12,422	22,110
10% real estate mortgage	2,387	2,483	2,480
10% capitalized lease obligation	1,662	1,698	1,897
Other	74	86	74
	$71,633	$65,189	$74,721

. . . .

Note I — Commitments and Contingencies

. . . .

At December 31, 1992, subsidiaries of the Company had open commitments to fund or purchase mortgage loans of $6,623,000, which amount approximates the estimated fair value of these commitments.

. . . .

The reported amount and estimated fair value of the Company's liabilities under the interest rate swaps and the interest rate collar at December 31, 1992 was $5,276,000 and $13,216,000, respectively.

. . . .

ALLCITY INSURANCE COMPANY, DECEMBER 31, 1992

Notes to Financial Statements
Allcity Insurance Company

Note 12 — Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107"), requires disclosure of fair value information about certain financial instruments, whether or not recognized on the balance sheet. SFAS 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Under SFAS 107, the only financial instruments for which the Company is required to provide such information are investments disclosed in Note 4 and short-term investments, where the carrying amount approximates fair value.

CHUBB CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

. . . .

(k) Fair Values of Financial Instruments

In December 1991, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 107, Disclosures about Fair Value of Financial Instruments, which requires expanded disclosure of fair values of financial instruments.

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 assumptions used, including the discount rates and the 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 No. 107 excludes certain financial instruments, particularly insurance contracts, and all nonfinancial instruments from its disclosure requirements.

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

(i) The carrying value of short term investments approximates fair value due to the short maturities of these investments.

(ii) Fair values of fixed maturities with active markets are based on quoted market prices. For fixed maturities that trade in less active markets, fair values are obtained from independent pricing services. Fair values of fixed maturities are principally a function of current interest rates. Care should be used in evaluating the significance of these estimated market values.

(iii) Fair values of equity securities are based on quoted market prices.

(iv) Fair values of mortgage loans and policy loans of the insurance subsidiaries are estimated using discounted cash flow analyses and approximate carrying values.

(v) Fair values of real estate mortgages and notes receivable are estimated individually as the lesser of (i) the capitalization value of the non-discounted cash flow of the property serving as the collateral for the loan or (ii) the value of the discounted cash flow required by the loan. The capitalization value is determined for each loan by applying the yield, adjusted for credit risk, of a U.S. Treasury security with a maturity similar to the loan to the estimated net cash flow from the property's underlying leases. A similar yield is used for the discounted cash flow analysis.

(vi) The carrying value of short term debt approximates fair value due to the short maturities of this debt.

(vii) Fair values of term loans and mortgages payable approximate carrying values because such loans and mortgages consist primarily of variable-rate debt that reprices frequently and recently issued debt with interest rates which approximate the current incremental borrowing rates of the issuing subsidiaries. The fair values of long term notes are based on prices quoted by dealers.

. . . .

(4) Real Estate Assets

. . . .

Mortgages and notes receivable had an aggregate fair value of approximately $406,000,000 at December 31, 1992. The fair value amount represents a point-in-time estimate that is not relevant in predicting future earnings or cash flows related to such receivables. The difference between the fair value and carrying value is not expected to be realized as the real estate subsidiaries intend to hold the mortgages and notes to maturity.

(6) Debt and Credit Arrangements

. . . .

(b) Long term debt consisted of the following:

	December 31,		
	1992	1991	
	Carrying Value	Fair Value	Carrying Value
	(in thousands)		
Term loans	$ 352,475	$ 352,475	$ 330,842
Mortgages	220,366	220,366	222,708
$8\frac{5}{8}$% notes	100,000	106,665	100,000
$8\frac{3}{4}$% notes	150,000	163,388	150,000
6% guaranteed exchangeable subordinated notes	250,000	303,125	250,000
Total long term debt	$1,072,841	$1,146,019	$1,053,550

. . . .

GENERAL RE CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

1 — Summary of Significant Accounting Policies

. . . .

Fair Values of Financial Instruments. The Corporation uses various methods and assumptions in estimating the fair value of financial instruments for disclosure purposes. The fair values for cash and short-term investments approximate their carrying amounts. The fair value for the mortgage receivable is estimated based on discounted cash flow analysis using interest rates currently being offered for similar loans to borrowers with similar credit ratings. For securities and derivative instruments held for trading purposes, fixed maturities and equity securities, fair values are generally based on quoted market prices or dealer quotes. In cases where these sources are not available, values are based on estimates using present value methods. The fair value of the Corporation's short-term commercial paper borrowing, which is sold at a discount, approximates its carrying amount. The fair value of long-term mortgage and notes payable is estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of arrangements.

. . . .

7 — Mortgages and Notes

The carrying amounts and fair values of the Corporation's mortgages and notes were as follows:

December 31, 1992 (*in millions*)	Carrying Amount	Fair Value
Included in other assets:		
13.38% mortgage receivable due in 2010	$ 91.0	$ 141.3
Included in mortgage and notes payable:		
9.00% debenture due in 2009	150.0	171.1
Variable rate notes (9.17%-9.40%) due from 1993-1995	40.0	42.4
7.70% mortgage payable through 1998	9.4	9.8

. . . .

LOEW'S CORPORATION, DECEMBER 31, 1992

Loews Corporation and Subsidiaries
Notes to Consolidated Financial Statements

3. Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information 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. These techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. Accordingly, the estimates presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company could realize in a current market exchange. SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments such as real estate and insurance reserves from fair value disclosure. Thus, the aggregate fair value amounts cannot be summed to determine the underlying economic value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1992 are as follows:

	Carrying Amount	Estimated Fair Value
	(in thousands)	
Financial Assets		
Investments:		
Fixed maturities	$17,414,480	$18,295,953
Equity securities	859,879	902,455
Mortgage loans and notes receivable	103,018	104,937
Policy loans	177,811	167,894
Separate account assets	6,835,342	7,022,264
Financial Liabilities:		
Premium deposits and annuity contracts	519,758	511,027
Long-term debt	1,742,799	1,826,894
Separate account liabilities:		
Guaranteed investment contracts	5,531,806	5,782,639
Deferred annuities	64,284	78,600
Variable separate accounts	148,970	148,970
Other	685,390	685,390

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

The carrying amounts reported in the balance sheet for short-term investments and securities sold under repurchase agreements approximate fair value, because of the short maturity of those investments. As such, these financial instruments are not shown in the table above.

Fixed maturity securities, equity securities and separate account securities are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from independent pricing services or quoted market prices of comparable instruments adjusted for differences between the quoted instruments and the instruments being valued.

Fair value for mortgage loans and notes receivable and policy loans is estimated using discounted cash flow analyses, at interest rates currently being offered for similar loans to borrowers with comparable credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Premium deposit and annuity contracts are valued based on cash surrender values and estimates of the outstanding fund balances.

Guaranteed investment contracts and deferred annuities of the separate accounts are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

The fair value of the liabilities for variable separate accounts is based on the quoted market values of the underlying assets of each variable separate account. The fair value of other separate account liabilities approximates carrying value.

Fair value of long-term debt traded on securities exchanges is based on quoted market prices. The fair value for other long-term debt is based on quoted market prices of comparable instruments adjusted for differences between the quoted instruments and the instruments being valued or is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

4. Off-Balance-Sheet Financial Instruments

. . . .

The Company's investments in off-balance-sheet financial instruments are as follows:

	December 31,			
	1992		1991	
	Contractual/ Notional Value	Estimated Fair Value	Contractual/ Notional Value	Estimated Fair Value
	(in thousands)			
Interest rate swaps	$ 325,000	$ (3,435)	$ 75,000	$ (10,075)
Commitments to purchase government and municipal securities	299,500	3,071		
Options written on:				
Intermediate term United States Treasury securities (a)	1,000,000	6,239		
Equities and equity index	89,974	268		
Financial futures	444,451	(2,568)		
Commodity:				
Swaps	272,890	(5,081)	293,370	(3,235)
Futures	17,737	(446)	17,604	(817)
Forwards			132,487	(1,058)
Purchase obligations	87,990		87,990	
Other	10,818	(2,685)	4,248	305

(a) The Company's short-term investments are available to fund delivery of these securities if required.

The estimated fair values approximate carrying values and are equivalent to the gains or losses on these financial instruments. Fair values are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from independent pricing services, quoted market prices of comparable instruments or present value models.

. . . .

MERCHANTS GROUP INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

. . . .

Other Financial Instruments. The fair market values of the Company's other financial instruments, principally premiums receivable and certain non-insurance related liabilities, do not vary significantly from the amounts assigned in these financial statements.

. . . .

NAC RE CORPORATION, DECEMBER 31, 1992

6. Long-Term Debt and Financing Arrangements

The Company's $100 million of 5.25% Convertible Subordinated Debentures due December 15, 2002, were issued in December 1992 through a private offering. . . . The fair value of the Debentures approximates $100.8 million, which is estimated based on quoted market prices as of December 31, 1992. . . .

The Company's $100 million of 8% Senior Notes due June 15, 1999 were issued in June 1992 through a public offering. . . . The fair value of the Notes approximates $102.3 million, which is estimated based on quoted market prices as of December 31, 1992. . . .

SAFECO CORPORATION, DECEMBER 31, 1992

Notes to Financial Statements

5. Fair Value Disclosures

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of FASB Statement 107, "Disclosures about Fair Value of Financial Instruments." Estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in developing the estimates of fair value. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimating methodologies may have a material effect on the estimated fair value amounts.

Estimated fair values of the Companies' financial instruments at December 31, 1992 are as follows:

	Carrying Amount	Estimated Fair Value
	(in thousands)	
Financial assets:		
Mortgage loans	$ 391,108	$ 405,000
Commercial loans	333,279	342,000
Financial liabilities:		
Funds held under deposit contracts	6,382,655	6,429,000
Credit Company	403,705	410,000
10.75% notes due 1995	200,000	224,000
Other notes and mortgages	235,218	236,000

For cash, short-term investments, accounts receivable, policy loans and other liabilities, carrying value is a reasonable estimate of fair value.

Fair value information for the Companies' investments in fixed maturities and marketable equity securities can be found on the face of the balance sheet on page 36 and in Note 2 on page 48.

The fair values of mortgage and commercial loans have been estimated by discounting the projected cash flows using the current rate at which loans would be made to borrowers with similar credit ratings and for the same maturities.

Commercial loans are a component of "Finance Receivables" in the balance sheet. Finance Receivables also include lease receivables, which are exempt from Statement 107 disclosure requirements.

The fair value of investment contracts (Funds Held Under Deposit Contracts) with defined maturities is estimated by discounting projected cash flows using rates that would be offered for similar contracts with the same remaining maturities. For investment contracts with no defined maturities, fair value is estimated to be the present surrender value.

The carrying values of the SAFECO Credit and Other Notes and Mortgages borrowings that have variable interest rates are reasonable estimates of fair value. For these borrowings that have fixed interest rates, fair value is estimated by discounting the projected cash flows using the rate at which similar borrowings could currently be made. The fair value of the 10.75% Notes Due 1995 is estimated based on quotes from broker-dealers who make markets in similar securities.

The fair value of interest rate swaps (see Note 3 on page 49) is the difference between the present value of the Companies' future interest obligations at the stated (fixed) rate and the counterparties' obligations at the floating rates. The estimated present value of the Companies' obligations under the swaps exceeds the counterparties by $5 million at December 31, 1992. The estimated fair value of the property and casualty companies' financial guaranty business (see Note 4 on page 50) is approximately $24 million, which equals the total of the recorded reserves for losses and loss adjustment expense and unearned premiums at December 31, 1992. Other insurance-related financial instruments are exempt from Statement 107 disclosure requirements.

ST. PAUL COMPANIES INC., DECEMBER 31, 1992

The St. Paul Companies
Notes to Consolidated Financial Statements

Note 6. Debt and Credit Arrangements

Debt consists of the following:

	December 31,		
	1992		1991
(in thousands)	Book Value	Fair Value	Book Value
Commercial paper	$229,889	$229,889	$196,526
Medium-term notes	133,534	137,700	64,831
$9\frac{3}{8}$% notes	99,947	111,900	99,936
Guaranteed ESOP debt	58,333	65,000	69,445
Pound sterling loan notes	25,014	25,014	34,041
Bank borrowings	20,000	20,000	22,000
Total debt	$566,717	$589,503	$486,779

Fair Value. The fair value of our commercial paper, pound sterling loan notes and bank borrowings approximates their book value, because they are short-term in nature, or, in the case of our loan notes, because the interest rate is adjusted periodically based on a prevailing market rate. For our other debt, which has longer terms and fixed interest rates, our fair value estimate is based on current interest rates available on debt securities in the market which have terms similar to ours. Because interest rates generally have declined since our debt was issued, it would have cost us more than book value to retire our debt at year-end.

. . . .

SURETY OR TITLE INSURANCE COMPANIES

ALLEGHANY CORPORATION, DECEMBER 31, 1992

Alleghany Corporation and Subsidiaries
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Principles

. . . .

j. Fair Value Disclosures

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure 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. These techniques are significantly affected by the assumptions used. As such, 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. Furthermore, the Company generally intends to hold the financial instrument until maturity. Statement No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

. . . .

15. Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments are as follows (*in thousands*):

	Carrying Amount	Calculated Fair Value
Assets:		
Notes receivable	$ 91,536	$ 91,536
Loans receivable, less allowances	$2,167,429	$2,192,597
Liabilities:		
Deposits	$2,581,647	$2,619,210
Long-term debt	$ 353,710	$ 366,661
Unrecognized financial instruments:		
Commitments to extend credit	$ 28,126	$ 28,126
Standby letters of credit	$ 4,736	$ 4,736
Commitments to sell loans	$ 19,124	$ 19,124

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 fair value:

Notes receivable: The carrying amount approximates fair value because interest rates approximate market rates.

Loans receivable, less allowances: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are substantially equal to carrying values. The fair values for loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

Deposits: The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate, fixed-term money market accounts and certificates of deposits approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Long-term debt: The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities.

Commitments to extend credit, standby letters of credit and commitments to sell loans: The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligation with the counterparties at the reporting date.

FIDELITY NATIONAL FINANCIAL INC., DECEMBER 31, 1992

Fidelity National Financial, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note A. Summary of Significant Accounting Policies

. . . .

Trade Receivables. The carrying amounts reported in the consolidated balance sheets for trade receivables approximate their fair value.

. . . .

Cash and Cash Equivalents. For purposes of reporting cash flows, highly liquid instruments purchased with original maturities of three months or less are considered cash equivalents. The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair value.

. . . .

Note D. Notes Receivable

. . . .

The fair values for significant mortgage loans are established using discounted cash flow analyses, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. All other mortgage loans are not significant, individually or in the aggregate, or are current and at market rates and their carrying value is assumed to approximate fair value.

The carrying amounts and estimated fair values of the Company's investments in mortgage loans were as follows at December 31, 1992:

(dollars in thousands)	Carrying Amount	Fair Value
Mortgage notes	$2,575	$2,580
Other promissory notes	1,874	1,870
Real estate partnership notes	1,288	1,040
Affiliated notes	1,218	1,220
	$6,955	$6,710

. . . .

Note G. Notes Payable

. . . .

Short-term borrowings approximate their fair value. The fair value of the Company's fixed rate and variable 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.

The carrying amounts and estimated fair values of the Company's notes payable were as follows at December 31, 1992:

(dollars in thousands)	Carrying Amount	Fair Value
Short-term borrowings	$21,980	$21,980
Long-term borrowings, variable rate	1,810	1,770
Long-term borrowings, fixed rate	2,354	2,490
	$26,144	$26,240

FIRST AMERICAN FINANCIAL CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
The First American Financial Corporation and Subsidiary Companies

Note 4. Loans Receivable

. . . .

The fair value of loans receivable was $31.9 million at December 31, 1992, and was estimated based on the discounted value of the future cash flows using the current rates being offered for loans with similar terms to borrowers of similar credit quality.

. . . .

Note 6. Assets Acquired in Connection With Claim Settlements

. . . .

The fair value of notes receivable was $12.8 million at December 31, 1992, and was estimated based on the discounted value of the future cash flows using the current rates at which similar loans would be made to borrowers of similar credit quality.

. . . .

Note 7. Demand Deposits

. . . .

Investment certificate accounts had a fair value of $23.4 million at December 31, 1992, and was estimated based on the discounted value of the future cash flows using a discount rate approximating current market for similar liabilities. The carrying value of the passbook account approximates fair value due to the short-term nature of this liability.

Note 8. Notes and Contracts Payable

. . . .

The fair value of notes and contracts payable was $85.6 million at December 31, 1992, and was estimated based on the current rates offered to the Company for debt of the same remaining maturities.

MBIA INC., DECEMBER 31, 1992

MBIA Inc. and Subsidiaries
Notes to Consolidated Financial Statements

17. Fair Value of Financial Instruments

Pursuant to the requirements of a Statement of Financial Accounting Standards (SFAS 107), estimated fair value amounts shown in the following table have been determined by the Company using available market information and appropriate valuation methodologies. However, in certain cases considerable judgment is necessarily required to interpret market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Fixed maturity securities — The fair value of fixed maturity securities equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Short-term investments — Short-term investments are carried at amortized cost which, because of their short duration, is a reasonable estimate of fair value.

Other investments — Other investments consist of marketable equity securities as well as the Company's interest in limited partnerships and a mutual fund, both of which invest primarily in marketable equity securities. The fair value of other investments is based on quoted market prices.

Cash and cash equivalents and receivable for investments sold — The carrying amounts of these items are a reasonable estimate of their fair value.

Unearned premiums — The fair value of the Company's unearned premium reserve is based on the estimated cost of entering into a cession of the entire portfolio with third party reinsurers under current market conditions.

Loss and loss adjustment expense reserves — The carrying amount is composed of the present value of the expected cash flows for specifically identified claims combined with an estimate for unidentified claims. Therefore, the carrying amount is a reasonable estimate of the fair value of the reserve.

Long-term debt — The fair value is estimated based on the quoted market prices for the same or similar securities.

Installment premiums — The fair value is derived by calculating the present value of the estimated future cash flow stream at the Company's estimated cost of capital.

	As of December 31, 1992	
(in thousands)	Carrying Amount	Estimated Fair Value
Assets:		
Fixed maturity securities	$2,346,162	$2,462,417
Short-term investments	121,733	121,733
Other investments	60,783	60,783
Cash and cash equivalents	11,226	11,226
Receivable for investments sold	2,111	2,111
Liabilities:		
Unearned premiums	1,031,747	869,348
Loss and loss adjustment expense reserves	25,510	25,510
Long-term debt	298,571	321,497
Off-balance-sheet instruments:		
Installment premiums	—	173,242

MGIC INVESTMENT CORPORATION, DECEMBER 31, 1992

MGIC Investment Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1992, 1991 and 1990

Note 5. Home Office and Equipment and Long-Term Debt

. . . .

Based on the borrowing rates currently available to the Company for loans with similar terms and maturities, the estimated fair market value of the long-term debt at December 31, 1992 is approximately $41.0 million.

. . . .

OTHER FINANCIAL ENTERPRISES

CATERPILLAR FINANCIAL SERVICES CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
(dollar amounts in millions)

Note 9 — Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, other assets, liabilities other than long-term debt and deferred income taxes, and forward exchange contracts. For these items, the carrying amount is a reasonable estimate of fair value.

Finance receivables — net. Fair value of the outstanding receivables (excluding tax-oriented leases) is estimated by discounting the future cash flows using the Company's current rates on new receivables with similar remaining maturities. Historical experience of bad debts is also factored into the calculation.

Long-term debt. Fair value is estimated by discounting the future cash flows using the Company's current borrowing rates for similar types and maturities of debt.

Interest rate swaps and options. Fair value is estimated based upon the amount that the Company would receive or pay to terminate the agreements as of the reporting date.

The estimated fair values of the Company's financial instruments are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	$ 11.5	$ 11.5
Finance receivables — net (excluding tax-oriented leases)	2,253.1	2,275.4
Other assets	29.5	29.5

Note 9 — Fair Value of Financial Instruments (continued)

	Carrying Amount	Fair Value
Liabilities other than long-term debt and deferred income taxes	988.3	988.3
Long-term debt	1,488.3	1,520.3
Off-balance-sheet financial instruments: (*)		
Interest rate swaps/options:		
In a net receivable position	1.2	2.7
In a net payable position	(6.6)	(22.4)
Forward exchange contracts	.1	.1

(*) The amounts shown under "Carrying Amount" represent accruals or deferred income (fees) arising from these off-balance-sheet financial instruments.

DREYFUS CORPORATION, DECEMBER 31, 1992

The Dreyfus Corporation and Subsidiary Companies
Consolidated Balance Sheets

	December 31,	
	1992	1991
. . . .		
Liabilities and Stockholders' Equity		
Liabilities:		
. . . .		
Banking customer deposits (fair value — $35,044,000 in 1992) — Note 1	$35,192,000	$47,718,000
. . . .		

Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

. . . .

Fair Value of Financial Instruments. In December 1991, the Financial Accounting Standards Board issued Statement No. 107, "Disclosures about Fair Value of Financial Instruments." The Corporation adopted the provisions of the Statement in its 1992 financial statements.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Marketable securities: The fair value of the Corporation's marketable securities portfolios is based on quoted market prices or dealer quotes.

Other investments: The fair value of certain limited partnerships engaged in securities trading, which are accounted for at cost, is based on quoted market prices of the respective partnerships' underlying securities portfolios.

Banking customer deposits: The fair value of fixed-maturity certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently offered for deposits of similar remaining maturities to a schedule of aggregated expected monthly maturities on time deposits. The fair value for demand deposits, savings accounts and money market bank accounts is equal to the amounts payable on demand at the reporting date.

. . . .

HPSC INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note B. Notes Payable to Banks and Other Debt

. . . .

The Company's long-term debt as shown on the accompanying balance sheet reflects the approximate fair market value. The fair market value is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

. . . .

LEUCADIA NATIONAL CORPORATION, DECEMBER 31, 1992

Leucadia National Corporation and Subsidiaries
Notes to Consolidated Financial Statements

18. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107"), requires disclosure of fair value information about certain financial instruments, whether or not recognized on the balance sheet. 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 assumptions used, including the discount rate and estimates of future cash flows. In addition, SFAS 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Therefore, the aggregate fair value amounts presented do not purport to represent and should not be considered representative of the underlying "market" or franchise value of the Company.

The methods and assumptions used to estimate the fair values of each class of the financial instruments described below are as follows:

(a) Investments: The fair values of marketable equity securities and fixed maturity securities are substantially based on quoted market prices, as disclosed in Note 5. It is not practicable to determine the fair value of policyholder loans since such loans generally have no stated maturity, are not separately transferable and are often repaid by reductions to benefits and surrenders.

(b) Cash and short-term investments: For short-term investments, the carrying amount approximates fair value.

(c) Loans receivable of banking and lending subsidiaries: The fair value of loans receivable of the banking and lending subsidiaries is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities.

(d) Separate and variable accounts: Separate and variable accounts assets and liabilities are carried at market value, which is a reasonable estimate of fair value.

(e) Investments in foreign power companies and the WMAC Companies: The fair values of certain foreign power companies are principally estimated based upon quoted market prices. The fair value of CAESS is estimated based upon an oral agreement reached with the government of El Salvador as to the amounts to be paid to the Company for the assets which were seized by the government. The fair value of the WMAC Companies is estimated based upon the Company's assessment of the fair value of their underlying net tangible assets to be received. Because the Company's position represents such a large percentage of the investee's securities, the Company believes that the quoted market prices of the foreign power companies may not represent the amount that the Company would realize upon selling the investments.

(f) Customer banking deposits: The fair value of customer banking deposits is estimated using rates currently offered for deposits of similar remaining maturities.

(g) Long-term and other indebtedness: The fair values of non-variable rate debt are estimated using quoted market prices, estimated rates which would be available to the Company for debt with similar terms and, with respect to the Swiss Franc Bonds, the cost to terminate the currency and interest rate hedging agreement. The fair value of variable rate debt is estimated to be the carrying amount.

(h) Investment contract reserves: SPDA reserves are carried at account value, which is a reasonable estimate of fair value. The fair value of other investment contracts is estimated by discounting the future payments at rates which would currently be offered for contracts with similar terms.

The carrying amounts and estimated fair values of the Company's financial instruments are as follows (*in thousands*):

	Carrying Amount	Fair Value
Financial Assets:		
Investments:		
Practicable to estimate fair value	$2,581,413	$2,643,692
Policyholder loans	119,612	—
Cash and short-term investments	670,599	670,599
Loans receivable of banking and lending subsidiaries, net of allowance	162,579	168,071
Separate and variable accounts	215,988	215,988
Foreign power companies	15,685	42,739
WMAC Companies	23,348	50,886
Financial Liabilities:		
Customer banking deposits	186,339	188,891
Long-term and other indebtedness	225,588	236,940
Investment contract reserves	186,274	192,042
Separate and variable accounts	213,492	213,492

Mercury Finance Company
Notes to Consolidated Financial Statements
December 31, 1992, 1991 and 1990
(dollars in thousands except per share amounts)

13 — 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 for which it is practicable to estimate that value. Fair value estimates are made at a specific point in time for Mercury's financial instruments; they are subjective in nature and involve uncertainties, matters of significant judgment and, therefore, cannot be determined with precision. Fair value estimates do not reflect the total value of Mercury as a going concern.

Cash and Investments. For those investments, which consist primarily of short-term money market instruments, the carrying amount is a reasonable estimate of fair value.

Finance Receivables. The fair value of finance receivables is computed using estimated market rates of return desired by bulk purchasers.

Senior Debt, Commercial Paper. The debt consists principally of short term commercial paper for which the carrying amount is a reasonable estimate of fair value.

Senior and Subordinated Debt, Term Notes. Rates currently available to Mercury for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Interest Exchange Agreements. The fair value of interest exchange agreements is the estimated amount that Mercury would receive or (pay) to terminate the interest exchange agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the exchange agreement counterparties.

The estimated fair values of Mercury's financial instruments at December 31, were as follows:

	1992	
	Carrying Amount	Fair Value
Financial Assets:		
Cash	$ 4,820	$ 4,820
Investments	6,179	6,179
Finance Receivables	618,648	638,972
Less Allowance for Finance Credit Losses	(13,198)	(13,198)
Total	$616,449	$636,773
Financial Liabilities:		
Senior Debt, Commercial Paper	$200,000	$200,000
Senior Debt, Term Notes	175,500	184,045
Subordinated Debt	41,000	43,411
Total	$416,500	$427,456
Off-Balance-Sheet Financial Instruments:		
Interest Exchange Agreements	$ (327)	$ (884)
Notional Amount $80,000		

RE CAPITAL CORPORATION, DECEMBER 31, 1992

RE Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1992

Note 1 — Accounting Policies

. . . .

New Accounting Standards. Effective December 31, 1992, the Company has implemented SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" and has made the required disclosures. Adoption thereof had no impact on the Company's financial position or results of operations.

. . . .

Note 3 — Short-Term Borrowings and Convertible Note

. . . .

In October 1991, the Company sold $10,000,000 of convertible notes, bearing interest at 8% per annum to John Deere Insurance Company. The notes mature on September 30, 2001, and are convertible at $21.00 a share into 476,190 new shares of common stock. The notes are callable, at par, after five years. At December 31, 1992 the fair value of the notes was approximately $11,000,000 based on a discounted cash flow analysis using the Company's incremental borrowing rate.

. . . .

TRANSAMERICA CORPORATION, DECEMBER 31, 1992

Transamerica Corporation
Notes to Financial Statements
December 31, 1992

F. Notes and Loans Payable

. . . .

The estimated fair value, using rates currently available for debt with similar terms and maturities, of notes and loans payable at December 31, 1992 is $7,845.2 million.

. . . .

G. Fair Value of Investment Contracts

Investment-type contracts are included in life insurance policy liabilities. Fair value of investment-type contracts is estimated using discounted cash flow calculations, based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The carrying amounts and fair values of the liabilities for investment-type contracts at December 31, 1992 are as follows:

(amounts in millions)	Carrying Value	Estimated Fair Value
Single and flexible premium deferred annuities	$5,748.4	$5,526.8
Guaranteed investment contracts	1,777.2	1,867.5
Other deposit contracts	960.0	979.8
	$8,485.6	$8,374.1

Investment-type contracts and other life insurance policy reserves generally provide a natural hedge against fair value changes in the investments held to fund those reserves.

H. Concentration of Risk, Securitization and Fair Value of Receivables

. . . .

The carrying amounts and estimated fair values of the finance receivable portfolio at December 31, 1992 are as follows:

(amounts in millions)	Carrying Value	Estimated Fair Value
Fixed rate receivables—		
Consumer	$3,557.9	$4,320.4
Commercial	413.3	424.9
Variable rate receivables—		
Commercial	2,371.5	2,371.5
	$6,342.7	$7,116.8

The estimated fair value of consumer finance receivables, substantially all of which are fixed rate instalment loans collateralized by residential real estate, and the fixed rate commercial finance loans are based on the discounted value of the future cash flows expected to be received using available secondary market prices for securities based on similar loans after adjustment for differences in loan characteristics. In the absence of readily available market prices, the expected future cash flows are discounted at effective rates currently offered by Transamerica for similar loans. For variable rate commercial loans, which comprise the majority of the commercial loan portfolio, the carrying amount represents a reasonable estimate of fair value.

UNIVERSITY PATENTS INC., JULY 31, 1992

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Fair Value of Financial Instruments. At July 31, 1992, the Company's financial instruments comprise cash and cash equivalents, short-term investments and the directors' escrow fund. The Company estimates that the fair value of cash and cash equivalents is their carrying value. It estimates that the fair value of short-term investments and the directors' escrow fund is their quoted market prices. The Company also has a receivable from Unilens Corp. USA of $5,300,000 at July 31, 1992, which has not been recorded in the financial statements due to the uncertain financial condition of Unilens (see Note 14). The Company cannot practicably estimate the fair value of this receivable due to the uncertainty of the timing and amount of future cash flows.

IV

NONFINANCIAL ENTERPRISES

Enterprises that do not provide financial services usually have to disclose a smaller amount of information in accordance with FASB Statement No. 107 than enterprises that provide financial services. Examples of information disclosed in accordance with FASB Statement No. 107 by forty-four enterprises that operate primarily in fields other than the provision of financial services are presented below. The examples are classified according to whether the information is presented in a single note or in two or more notes.

INFORMATION PRESENTED IN A SINGLE NOTE

ANADARKO PETROLEUM CORPORATION, DECEMBER 31, 1991

Anadarko Petroleum Corporation
Notes to Consolidated Financial Statements
Years ended December 31, 1991, 1990 and 1989

4. Long-Term Debt and Financial Instruments

. . . .

In December 1991, SFAS 107, "Disclosures about Fair Value of Financial Instruments," was issued. SFAS 107 must be implemented no later than 1992 and requires disclosure of the fair value of financial instruments, if such value is practicable to estimate. The following information is based on the December 31, 1991 prices on the New York Bond Exchange for the 8.95% Notes due 1992 and the 6¼% Convertible Subordinated Debentures due 2014. The interest rates for the notes payable, banks and commercial paper are the average rates in effect at December 31, 1991.

(*thousands*)	Carrying Amount	Fair Value
Cash and Cash Equivalents	$ 14,983	$14,983
Long-Term Debt		
Notes Payable, Banks, 5.87%	38,000	38,000
Commercial Paper, 5.90%	1,628	1,628
8.95% Notes due 1992	100,000	99,625
8¾% Notes due 1998	100,000	(*)
8¼% Notes due 2001	100,000	(*)
6¼% Convertible		
Subordinated Debentures due 2014	$100,000	$95,000

(*) These instruments are not publicly traded; therefore, the fair value is not practicable to estimate.

BARNES GROUP INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements
(All dollar amounts included in the notes are stated in thousands except per share data and Note 14.)

5. Debt and Commitments

Long-term debt at December 31, consisted of:

	1992 Carrying Amount	Fair Value	1991 Carrying Amount
Senior Notes	$40,000	$43,900	$40,000
Borrowing under revolving credit agreement	23,000	23,000	30,000
Other	7,000	7,000	8,714
	70,000	73,900	78,714
Less current portion	—	—	286
	$70,000	$73,900	$78,428

. . . .

The fair value of the company's Senior Notes is estimated using discounted cash flow analysis based on the company's estimated current borrowing rate for similar types of borrowing arrangements. The carrying values of other long-term debt, notes and overdrafts payable and guaranteed ESOP obligation approximate their fair value. The fair values of the company's interest rate exchange agreements are based upon current settlement prices. The fair value of the ten-year interest rate exchange agreement at December 31, 1992 was $2,100. Settlement of the five-year interest rate exchange agreement at December 31, 1992 would cost the company $1,475.

. . . .

CENTRAL AND SOUTH WEST CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Central and South West Corporation

6. 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 fair value.

Cash and Temporary Cash Investments. The carrying amount approximates fair value because of the short maturity of those instruments.

Short-Term Investments. The carrying amount approximates fair value because of the short maturity of those instruments. Short-term investments are classified in accounts receivable on the consolidated balance sheets.

Short-Term Debt. The carrying amount approximates fair value because of the short maturity of those instruments.

Long-Term Debt. The fair value of the System's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Preferred Stock Subject to Mandatory Redemption. The fair value of the Electric Subsidiaries' preferred stock subject to mandatory redemption is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Corporation for preferred stock with the same or similar remaining redemption provisions.

The estimated fair value of the Corporation's financial instruments is as follows:

	1992 (*millions*)	
	Carrying Amount	Fair Value
Cash and temporary cash investments	$ 110	$ 110
Short-term investments	30	30
Short-term debt	1,055	1,055
Long-term debt	2,647	2,772
Preferred stock subject to mandatory redemption	75	77

The fair value does not effect the Corporation's liabilities unless the issues are redeemed prior to their maturity dates.

COLUMBIA GAS SYSTEM INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

11. Disclosures About Fair Value of Financial Instruments

The Corporation, effective December 31, 1992, adopted SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The Statement extends existing fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the Consolidated Balance Sheets, for which it is practicable to estimate fair value. For purposes of this 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 or liquidation sale. Fair value may be based on quoted market prices for the same or similar financial instruments or on valuation techniques such as the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

The uncertainties related to the outcome of the Corporation's Chapter 11 proceedings and the resulting effect upon the ultimate value of the Corporation's financial assets and liabilities add significantly to the uncertain nature of any estimate of fair value. The estimates of fair value required under SFAS No. 107 require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed.

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:

As cash and temporary cash investments, current receivables, current payables, and certain other short-term financial instruments are all short-term in nature, their carrying amount approximates fair value. The estimated fair values of the Corporation's other financial instruments are reflected in the table below.

Long-Term Investments. Long-term investments include escrowed proceeds from the sale of the Canadian subsidiary (see Note 6B), which consist of hedged Canadian Treasury bills ($25.1 million). The Canadian Treasury bills are hedged with foreign currency contracts, so that the combined carrying amount of the asset and related hedging instrument approximates fair value. Also included are loans receivable ($15.6 million) whose estimated fair values are based on the present value of estimated future cash flows using an estimated rate for similar loans extended currently. It is not practicable to estimate the fair value of long-term receivables ($154.2 million) for the expected recovery by Columbia Transmission of certain gas purchase liabilities for which the timing and amount of payments to be received will be dependent on the outcome of the Chapter 11 proceedings. As discussed in Note 2, the uncertainties related to these proceedings could significantly influence the fair value of this financial instrument. The financial instruments included in long-term investments are primarily reflected in Investments and Other Assets in the Consolidated Balance Sheets.

Liabilities Subject to Chapter 11 Proceedings. The estimated fair value of the Corporation's debentures and medium-term notes is based on quoted market prices for those issues that are traded on an exchange, and estimates provided by brokers for other issues. However, quoted market prices and broker estimates inherently include judgments concerning the outcome of the Corporation's and Columbia Transmission's Chapter 11 proceedings.

Note 2 discusses the uncertainties related to these proceedings, which could significantly influence the fair value of these financial instruments. It was not practicable to estimate the fair value of the remaining long-term debt, which includes the Subordinated Guarantee of Leveraged Employee Stock Ownership Plan debt ($87.0 million) and miscellaneous debt of Columbia Transmission ($1.4 million), because no reliable measurement methodology exists. Prior to filing its petition for protection under Chapter 11 of the Bankruptcy Code, the Corporation regularly issued commercial paper, bank notes and other short-term debt instruments. The carrying amount of such securities ($892.6 million) is included in Liabilities Subject to Chapter 11 Proceedings. Payment of these obligations and any related interest is subject to approval by the Bankruptcy Court. Although investors from time to time may buy and sell these debt obligations, the terms of any such transactions are private and not disclosed to the Corporation. Because there can be no assurance as to the ultimate timing and amount of principal and interest repayments of these obligations, it is not practicable to determine their fair values.

The carrying amount of other Liabilities Subject to Chapter 11 Proceedings ($1,595.4 million) primarily represents accounts payable, accrued liabilities and other liabilities. As discussed in Note 2, these liabilities are subject to adjustment at the direction of the Bankruptcy Court. In addition, the timing of the ultimate payment of these liabilities, as well as interest (if any), is also subject to determination by the Bankruptcy Court. Accordingly, it is not practicable to determine the fair value of these liabilities.

At December 31, 1992 (*$ in millions*)	Carrying Amount	Fair Value
Long-term investments for which it is:		
Practicable to estimate fair value	$ 40.8	$ 41.0
Not practicable to estimate fair value	154.2	—
Liabilities subject to Chapter 11 proceedings for which it is:		
Practicable to estimate fair value	1,390.8	1,373.6
Not practicable to estimate fair value		
Long-term debt	88.4	—
Bank loans and commercial paper	892.6	—
Other	1,595.4	—

CYPRUS MINERALS COMPANY, DECEMBER 31, 1992

Cyprus Minerals Company and Subsidiaries
Notes to Consolidated Financial Statements

Note 6: Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Company's financial instruments.

The carrying amount of cash equivalents approximates fair value because of the short maturity of cash equivalents. The fair value of long-term receivables is estimated based on expected discounted future cash flows. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The 10 1/8% Notes ($150 million carrying amount) are valued at a premium due to the relatively high interest rate. The fair value of price protection contracts composed of copper put options is estimated based on the spot price for the contracts at December 31, 1992. The fair value of lines and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them (face amount $432.5 million). The estimated fair values at December 31, 1992 are as follows:

(*in thousands*)	Carrying Amount	Fair Value
Cash and Cash Equivalents	$ 89,618	$ 89,618
Long-Term Receivables	6,017	6,017
Price Protection Contracts	5,189	1,250
Long-Term Debt	(232,337)	(252,932)
Lines and Letters of Credit	—	(1,142)
Parent Guarantee-Project Financing	—	(18,640)

The fair value estimates are made at discrete points in time based on relevant market information and information about the financial instruments. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Cyprus has provided a completion guarantee for its 40 percent share of the Bismark zinc mine project financing. This type of instrument is not traded in any market, and it is not practical to estimate the fair value.

B. F. GOODRICH COMPANY, DECEMBER 31, 1992

The B. F. Goodrich Company and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in millions, except per share amounts)

Note J: Fair Values of Financial Instruments

The carrying amounts and fair values of the Company's significant financial instruments at December 31, 1992 are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	$ 97.4	$ 97.4
Short-term bank debt	14.1	14.1
Long-term debt (including current portion)	414.6	438.6
Redeemable preferred stock	6.3	7.0

Fair values of cash equivalents approximate their carrying amount because of the short maturity of those investments. The fair value of short-term bank debt approximates its carrying amount. The fair value of long-term bank debt is based on quoted market prices or, if market prices are not available, on the present value of the underlying cash flows (as adjusted for associated interest rate swap agreements) discounted at the Company's estimated incremental borrowing rates.

At December 31, 1992, B. F. Goodrich had outstanding an interest rate swap agreement for a contract amount of $50.0 under which the Company pays a fixed rate of 9.85% and receives a LIBOR-based floating rate through March 31, 1996. This off-balance-sheet financial instrument has a fair value liability of approximately $6.2 at December 31, 1992. The counterparty to this agreement is a major commercial bank. Management believes the risk of incurring losses related to credit risk is remote and any loss would be immaterial.

HALLWOOD ENERGY PARTNERS, DECEMBER 31, 1992

Hallwood Energy Partners, L.P.
Notes to Consolidated Financial Statements

Note 14 — Estimated Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments. The estimated fair value amounts have been determined by the Partnership, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the

Partnership could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

December 31, 1992	Carrying Amount	Estimated Fair Value
	(in thousands)	
Assets:		
Cash and cash equivalents	$13,728	$13,728
Restricted cash	2,050	2,050
Accounts receivable	19,043	19,043
Due from affiliates	486	486
Liabilities:		
Accounts payable and accrued liabilities	29,236	29,236
Current portion of contract settlement	1,226	1,226
Current portion of long-term debt	136	136
Long-term debt	52,814	51,400
Contract settlement	4,179	4,866
Lawsuit settlement	2,370	2,370

Cash and cash equivalents, restricted cash, accounts receivable, due from affiliates, accounts payable and accrued liabilities and the current portions of long-term obligations and lawsuit settlement are carried in the accompanying balance sheets at an amount which is a reasonable estimate of their fair value.

The estimated fair value of long-term debt is determined using interest rates that could be available to the Partnership for similar instruments with similar terms.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 1992. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

M. A. HANNA COMPANY, DECEMBER 31, 1992

Notes to Financial Statements
M. A. Hanna Company and Consolidated Subsidiaries

Fair Values of Financial Instruments

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 amount reported in the balance sheet approximates 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.

Off-Balance-Sheet Instruments. Fair values for the Company's off-balance-sheet instruments (interest rate swaps) are based on pricing models or formulas using current assumptions.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1992 are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	$ 54,277	$ 54,277
Short-term securities	25,702	25,702
Notes payable to banks	2,312	2,312
Long-term debt		
9% Senior Notes	150,000	159,000
9 3/8% Senior Notes	150,000	161,191
Credit agreements	45,250	45,250
Other	6,352	6,352
Interest rate swaps	—	1,094

ELI LILLY & COMPANY, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Eli Lilly and Company and Subsidiaries
(dollars in millions, except per share data)

Note 10: Financial Instruments

Fair Value of Financial Instruments and Off-Balance-Sheet Risk: In 1992, the company adopted Financial Accounting Standards Board Statement No. 107, which requires disclosure about the fair value of the company's financial instruments. The methods and assumptions used to estimate the fair value of the following classes of financial instruments were:

Short-Term and Long-Term Debt: The carrying amount of the company's short-term borrowings approximates its fair value. The fair values of the company's long-term debt, including the current portion, are estimated using discounted cash flow analyses, based on the company's current incremental borrowing rates for similar types of borrowing arrangements. A significant portion of long-term debt consists of noncallable notes and bonds.

Investments: The fair values for marketable debt and equity securities are based on quoted market prices. The fair values of nonmarketable equity securities, which represent either equity investments in start-up technology companies or partnerships that invest in start-up technology companies, are estimated based on the fair value information provided by these ventures. The fair value of nonmarketable debt securities is based on quoted market prices of similar securities.

Risk Management Instruments: The fair values of the company's foreign exchange and interest rate risk management instruments (forwards, options, and swaps) are estimated, based on quoted market prices of comparable contracts.

The carrying amounts and fair values of the company's outstanding financial instruments at December 31, 1992, are as follows:

	Carrying Amount	Fair Value
Long-term debt	$ 596.9	$ 620.4
Short-term investments	295.9	300.6
Noncurrent investments		
Marketable equity	80.0	98.4
Debt securities	124.3	125.9

	Carrying Amount	Fair Value
Nonmarketable equity	38.2	40.5
Risk management instruments	2.8	.1

. . . .

MCN CORPORATION, DECEMBER 31, 1992

MCN Corporation and Subsidiaries
Notes to Consolidated Financial Statements

9. Financial Instruments

MCN has estimated the fair value of its financial instruments using available market information and appropriate valuation methodologies. Considerable judgment is required in developing the estimates of fair value presented herein and therefore, the values are not necessarily indicative of the amounts that MCN could realize in a current market exchange.

The carrying amount and the estimated fair value of financial instruments at December 31, 1992 consist of the following:

(in thousands)	Carrying Amount	Estimated Fair Value
Assets:		
Notes receivable and advances	$ 6,707	$ 6,707
Liabilities and Shareholders' Equity:		
Customer deposits	14,752	14,752
Notes payable	235,323	235,323
Current portion of long-term debt	5,324	5,379
Long-term debt	360,527	382,884
Redeemable cumulative preferred stock, including current portion	11,618	12,158
Off-Balance-Sheet Unrealized Gains:		
Interest rate swap agreements		1,844

The estimated fair values are determined based on the following:

Notes receivable and advances— interest rates currently available to MCN for investments with similar maturities and credit quality assumptions.

Customer deposits, notes payable and long-term debt — interest rates that are currently available to MCN for issuance of debt with similar terms and remaining maturities.

Redeemable cumulative preferred stock — quoted market price.

Interest rate swap agreements— estimated amount that MCN would receive or pay to terminate the swap agreements, taking into account current interest rates and the creditworthiness of the swap counterparties.

Guaranties (Note 5a) — based on the estimated exposure and cost to terminate, the fair value of the Blue Lake guaranty has been determined to be immaterial. Management is unable to practicably estimate the fair value of the Harbortown guaranty due to the nature of the related-party transaction and the fact that there is no similar market for the instrument.

The fair value estimates presented herein are based on information available to management as of December 31, 1992. Management is not aware of any subsequent factors that would significantly affect the estimated fair value amounts.

NEWHALL LAND AND FARMING COMPANY, DECEMBER 31, 1992

The Newhall Land and Farming Company and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1992

Note 4. Disclosures About Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments are as follows:

	December 31, 1992	
	Carrying Amount	Fair Value
Notes receivable from real estate sales	$ 27,100	$ 27,100
Long-term debt	131,559	131,559
Advances from developers for construction of water mains	8,731	2,049

The following methods 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 amounts approximate the fair values of these instruments due to their short-term nature.

Notes Receivable from Real Estate Sales. The carrying amounts of notes from sales of real estate approximate fair value. Generally, these notes have maturities of less than one year from close of escrow and, if applicable, the carrying amount reflects imputed interest at 9% to reduce the note receivable to its present value.

Long-Term Debt. The carrying amount of the Company's long-term debt reflects fair value based on current rates available to the Company for debt of the same remaining maturities. See Note 8 for interest rates on outstanding long-term debt.

Advances from Developers for Construction of Water Mains. Generally, non-interest bearing advances are refundable to the developer at the rate of 2.5% per year over 40 years. The fair value is estimated as the discounted value (12%) of the future cash flows to be paid on the advances.

OLIN CORPORATION, DECEMBER 31, 1992

Notes to Financial Statements
(in millions, except share data)

Accounting Policies

. . . .

Financial Instruments. The fair value of the company's financial instruments approximates carrying value. Fair values were estimated based on quoted market prices, where available, or on current rates offered to the company for debt with similar terms and maturities.

REGENERON PHARMACEUTICALS INC., DECEMBER 31, 1991

3. Fair Value of Financial Instruments

In accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the following methods were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents — As the result of the short-term maturity of these instruments, carrying value approximates fair value.

Investments — The fair value of these instruments has been estimated based on quoted market prices. Carrying value includes cost adjusted for the amortization of any discount or premium paid on the face value of the instruments.

The estimated fair values of the Company's financial instruments at December 31, 1991 and 1990 are as follows:

	1991		1990	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 26,243,292	$ 26,182,973	$19,167,136	$19,167,136
Investments	78,051,617	78,085,514	2,625,805	2,684,629
	$104,294,909	$104,268,487	$21,792,941	$21,851,765

REYNOLDS METALS COMPANY, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Reynolds Metals Company
(in millions, except share amounts. Certain amounts have been reclassified to conform to the 1992 presentation.)

Note A — Significant Accounting Policies

. . . .

Financial Instruments

. . . .

At the end of 1992, the fair value of the financial instruments discussed above was approximately the same as contractual value. The carrying amount of short-term investments and long-term debt approximates fair value. The fair value of financial instruments was estimated based upon quoted prices for comparable contracts and discounted cash flow analyses.

. . . .

SCIENTIFIC ATLANTA INC., JUNE 30, 1992

10. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. The fair value of long-term investments and foreign currency contracts is based on quoted market prices.

	1992	
	Carrying Amount	Fair Value
Cash and cash equivalents	$90,988	$90,988
Long-term investments	$11,334	$25,469
Foreign currency contracts		
Sell	$ 3,796	$ 4,380
Buy	$ 1,119	$ 1,086

SOUTHERN INDIANA GAS & ELECTRIC COMPANY, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

14. 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 for which it is practicable to estimate that value:

Cash and Temporary Investments. The carrying amount approximates fair value because of the short maturity of those investments. The fair value of temporary investments is based on current market values.

Long-Term Debt. The fair value of the Company's long-term debt is estimated based on the current quoted market rate of utilities with a comparable debt rating. Nonutility long-term debt was valued based upon the most recent debt financing.

Partnership Obligations. The fair value of the Company's partnership obligations is estimated based on the current quoted market rate of comparable debt.

Redeemable Preferred Stock. The carrying amount approximates fair value due to the recent nature of the date of issue, December 8, 1992, of the stock.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31 are as follows:

	1992	
	Carrying Amount	Fair Value
	(in thousands)	
Cash and Temporary Investments	$ 10,316	$ 10,346
Long-Term Debt (including current portion)	252,130	263,549
Partnership Obligations	16,114	13,200
Redeemable Preferred Stock	7,500	7,500

Approximately $11,200,000 of the $11,419,000 excess of fair value over carrying amounts of the Company's long-term debt relates to utility operations. Anticipated regulatory treatment of the excess of fair value over carrying amounts of the Company's long-term debt, if in fact settled at amounts approximating those above, would dictate that these amounts be used to reduce the

Company's rates over a prescribed amortization period. Accordingly, any settlement would not result in a material impact on the Company's financial position or results of operations.

STONE & WEBSTER INCORPORATED, DECEMBER 31, 1992

Summary of Significant Accounting Policies
(All dollar amounts, except per share amounts, are in thousands.)

. . . .

Fair Value of Financial Instruments. In 1992, Financial Accounting Standards Board Statement No. 107 — Disclosures about Fair Value of Financial Instruments — which extends the existing fair value disclosure practices to all financial instruments became effective. The fair value of bank loans and mortgage loans, most of which were recently obtained or renewed, approximate the carrying value at December 31, 1992.

. . . .

SUNDSTRAND CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates their fair value.

Foreign currency exchange contracts: The fair value of the Company's foreign exchange contracts is estimated based on quoted market prices of comparable contracts.

Short- and long-term debt: The carrying amounts of the Company's borrowings under its short-term revolving credit agreements approximate their fair value. The fair value of the Company's 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, adjusted through interpolation where necessary for maturity differences.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1992, were as follows:

(amounts in millions)	Carrying Amount	Fair Value
Cash and cash equivalents	$ 5.2	$ 5.2
Foreign exchange contracts	—	4.9
Short-term debt	59.0	59.0
Long-term debt	419.9	468.7

TEXAS INSTRUMENTS INC., DECEMBER 31, 1992

Notes to Financial Statements

Long-Term Debt and Lines of Credit

. . . .

At December 31,1992, the fair value of long-term debt was approximately $965 million based on current interest rates, compared with the carrying amount of $925 million.

TRW INC., DECEMBER 31, 1992

Notes to Financial Statements

Summary of Significant Accounting Policies

. . . .

Fair values of financial instruments — The carrying amounts of the company's financial instruments approximate their fair values. The following methods and assumptions were used by the company in estimating the fair values of its financial instruments:

Cash and cash equivalents — The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Short- and long-term debt — The carrying amounts of the company's short-term and floating rate long-term borrowings approximate their fair values. The fair values of the company's fixed rate long-term debt and interest rate swap agreements are estimated using discounted cash flow analyses, based on the company's current borrowing rates for similar types of borrowing arrangements.

Foreign currency exchange contracts — The fair values of the company's foreign currency exchange contracts are estimated based on quoted market prices of offsetting contracts.

. . . .

WEYERHAEUSER COMPANY, DECEMBER 31, 1992

Notes to Financial Statements
For the three years in the period ended December 27, 1992
(Dollar amounts in thousands except per share figures.)

Note 19: Disclosure About Fair Value of Financial Instruments

The fair value of the company's financial instruments, and the methods and assumptions used to estimate fair value of each class of financial instruments for which it is practicable to estimate that value, are as follows:

Weyerhaeuser

- Long-term debt and other liabilities — the fair value of the company's long-term debt is estimated based on quoted market prices for the same issues or on the discounted value of the future cash flows expected to be paid using incremental rates of borrowing for similar liabilities.

- Foreign exchange contracts — the fair value of the company's $120,000 foreign exchange contracts (see Note 22) was estimated by obtaining quotes from its currency brokers. At December 27, 1992, the fair value of these contracts approximated the contract value.
- Notes and contracts receivable — the company estimates that the carrying value of its notes and contracts receivable approximates their fair values as of December 27, 1992.

WRECO

- Joint venture and partnership guarantees — the company has guaranteed certain borrowings of joint ventures in which it is a participant in the aggregate amount of $130,678 (see Notes 11 and 21). The company has also established several bank credit arrangements in the maximum aggregate sum of $100,000 under which it guarantees certain borrowings made by subsidiary limited partnerships. At December 27, 1992, the amount utilized under these arrangements is $54,319. In addition, the company has entered into various other contractual obligations to fund, if certain specified events occur, $17,070 to the capital of its real estate partnerships. If funded, these commitments would increase the company's equity investment in partnerships and, therefore, are not subject to fair value disclosure under the guidelines of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments."
- Interest rate swaps — WRECO has an interest rate swap agreement whereby the interest payments under the agreement are calculated on the notional amount of $25,000 (see Note 16). The liquidation cost (which has been estimated using rates currently available for an instrument with similar terms) to the company as of December 27, 1992, if the agreement was canceled, would approximate $4,472.

WFS

- Mortgage notes held for sale — are estimated using the quoted market prices for securities backed by similar loans.
- Construction mortgage notes and mortgage loans receivable — are based on the discounted value of estimated future cash flows using current rates.
- Investments — are estimated using quoted market prices for similar securities.
- Mortgage-backed certificates and restricted deposits — the fair value of mortgage-backed certificates is estimated using the quoted market prices for securities backed by similar loans; restricted deposits are a reasonable estimate of fair value.
- Future annuity and contract reserves — are the cash surrender value payable on demand.
- Collateralized mortgage obligation (CMO) bonds — fair value is estimated using dealer analysis for projected cash flows discounted at market yields.
- Loans sold with recourse — the fair value is estimated based upon market spreads for sales of similar loans without recourse or estimates of the credit risk of the associated recourse obligation. The fair value of the recourse on these loans (see Note 21) is estimated to be $11.2 million.

	December 27, 1992	
	Carrying Value	Fair Value
Weyerhaeuser:		
Long-term debt	$3,153,472	$3,192,846

Note 19: Disclosure About Fair Value of Financial Instruments (continued)

	December 27, 1992	
	Carrying Value	Fair Value
Other liabilities	13,538	12,445
WRECO:		
Long-term debt	1,013,995	1,048,991
WFS:		
Mortgage notes held for sale	475,447	478,916
Construction mortgage notes	61,069	55,378
Mortgage loans receivable	321,447	309,348
Investments	5,232,428	5,274,274
Mortgage-backed certificates and restricted deposits	614,252	646,063
Future annuity and contract reserves	5,529,700	5,336,046
Collateralized mortgage obligation bonds	543,157	581,440
Long-term debt	1,181,720	1,201,041

INFORMATION PRESENTED IN MORE THAN ONE NOTE

ABBOTT LABORATORIES, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Abbott Laboratories and Subsidiaries

Note 1 — Summary of Significant Accounting Policies

. . . .

Fair value is the quoted market price of the instrument held or the quoted market price of a similar instrument.

. . . .

Note 4 — Investment Securities
(dollars in thousands)

. . . .

The fair value of the current investment securities held at December 31, 1992 was $142,887, and the fair value of investment securities maturing after one year was $285,763.

. . . .

Note 5 — Debt and Lines of Credit

. . . .

At December 31, 1992, the fair value of long-term debt, including current maturities, was $115,568 and for short-term borrowings was $909,166.

ALLEGHENY POWER SYSTEM INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements
(These notes are an integral part of the consolidated financial statements.)

Note A — Summary of Significant Accounting Policies

. . . .

. . . . The carrying amount of temporary cash investments approximates the fair value because of the short maturity of those instruments.

Note F — Stockholders' Equity

. . . .

The estimated fair value of the mandatorily redeemable preferred stock at December 31, 1992, is $29,187,000, based on the quoted market prices for these issues.

Note G — Long-Term Debt

. . . .

The estimated fair value of long-term debt at December 31, 1992, is $2,033,103,000 based primarily on actual trading quotes or trading quotes of similar issues.

Note H — Short-Term Debt

. . . . The carrying amount of short-term debt approximates the fair value because of the short-term maturity of those instruments.

AMOCO COMPANY, DECEMBER 31, 1992

Notes to Financial Statements

9. Long-Term Debt

. . . .

The estimated fair value of long-term debt outstanding as of December 31, 1992, was $5,120 million, based on quoted market prices for the same or similar issues, or the current rates offered to the corporation for debt of the same remaining maturities.

. . . .

21. Other Contingencies and Commitments

. . . . The fair value of these guarantees and agreements is considered to be substantially less than the nominal amounts of the outstanding borrowings.

. . . .

CIPSCO INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Cash and Temporary Investments. . . . The carrying amounts of cash and temporary investments in the Consolidated Balance Sheets approximate fair value because of their short-term maturities. . . .

. . . .

6. Lines of Credit and Short-Term Borrowings

. . . .

The carrying values of short-term borrowings approximate fair value due to their short-term maturities.

7. Preferred Stock — Redemption Not Required

The preferred stock which does not require redemption is generally redeemable at the option of CIPS on 30 days' notice at the redemption price shown below. The fair value was estimated by independent pricing services.

. . . .

	Shares Issued	Carrying Amount *(in thousands)*	1992 Fair Value *(in thousands)*
CIPSCO			
(b)	—	—	—
CIPS			
Cumulative	$150,000	$15,000	$ 8,175
	50,000	5,000	2,900
	75,000	7,500	5,006
	50,000	5,000	3,356
	50,000	5,000	3,519

	Shares Issued	Carrying Amount (in thousands)	1992 Fair Value (in thousands)
	150,000	15,000	15,094
	125,000	12,500	12,469
	650,000	65,000	50,519
(c)	—	—	—
	$650,000	$65,000	$50,519

(b) The Board of Directors has the authority to fix and determine the relative rights and preferences of the preferred shares.

(c) Aggregate stated value cannot exceed $65,000,000.

9. Long-Term Debt of Subsidiary

. . . .

Long-term debt outstanding at December 31, excluding maturities due within one year, was:

(in thousands)	1992 Carrying Amount	1992 Fair Value	1991 Carrying Amount
First mortgage bonds (principal amount):			
Series I, $4^{1/2}$% due 5/1/1993	$ —	$10,024	$10,000
Series J, $4^{1/2}$% due 5/1/1994	20,000	20,184	20,000
Series K, $4^{5/8}$% due 6/1/1995	15,000	14,757	15,000
Series L, $5^{7/8}$% due 5/1/1997	15,000	14,993	15,000
Series M, $8^{3/4}$% due 4/1/2000	—	—	25,000
Series N, $7^{1/2}$% due 4/1/2001	35,000	35,840	35,000
Series O, $7^{7/8}$% due 9/1/2001	—	—	22,500
Series P, $7^{1/2}$% due 5/1/2002	30,000	30,777	30,000
Series Q, $8^{1/2}$% due 3/1/2004	—	—	35,000
Series S, 8.45% due 11/1/2006	—	—	55,000
Series T, $9^{1/8}$% due 10/1/2008	—	—	25,000

9. Long-Term Debt of Subsidiary (continued)

(in thousands)	1992 Carrying Amount	1992 Fair Value	1991 Carrying Amount
Series 6⅝% due 8/1/2009 (for Newton pollution control)	1,000	1,015	1,000
Series V, 9¾% due 2/1/2016	—	—	28,000
Series W, 7⅛% due 5/15/1999	50,000	51,365	—
Series W, 8½% due 5/15/2022	33,000	33,825	—
Series X, 6⅛% due 7/1/1997	43,000	42,540	—
Series X, 7½% due 7/1/2007	50,000	50,480	—
Series Y, 6¾% due 9/15/2002	23,000	22,448	—
	315,000	328,248	316,500
Pollution control loan obligations:			
Series A, 5.85%due 10/1/2007	60,000	58,800	60,000
Series B, 6.80% due 4/1/2005	17,500	17,763	17,500
Series B, 6⅞% due 4/1/2009	17,500	17,763	17,500
Series C, 6⅝% due 8/1/2004	20,000	20,300	20,000
Series C, 6¾% due 8/1/2009	15,000	15,225	15,000
Series A, 7.60% due 3/1/2014	20,000	21,851	20,000
Series B, 7.60% due 9/1/2013	32,000	34,962	32,000
	182,000	186,664	182,000
Unamortized net debt premium and discount	(3,300)	—	(2,080)
	$493,700	$514,912	$496,420

Fair values of long-term debt were determined by using market values provided by independent pricing services.

CONSOLIDATED NATURAL GAS COMPANY, DECEMBER 31, 1992

Consolidated Natural Gas Company and Subsidiaries
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Temporary Cash Investments. . . .Such temporary cash investments are stated at cost, which approximates fair value due to their short maturities. . . .

13. Long-Term Debt

. . . .

The estimated fair value of the Company's debentures, including current maturities, at December 31, 1992, was $1,208,719,000. The fair value was estimated based on closing transactions and/or quotations for the Company's debentures as of that date.

. . . .

14. Short-Term Borrowings

The weighted average interest rate on the Company's $460,000,000 of commercial paper notes outstanding at December 31, 1992, was 3.41%. Because of the short maturities of commercial paper notes, the carrying amount represents a reasonable estimate of fair value.

. . . .

CROWN CENTRAL PETROLEUM CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
Crown Central Petroleum Corporation and Subsidiaries

Note C — Long-Term Debt and Credit Arrangements

. . . .

The approximate fair value of the Company's Long-Term Debt at December 31, 1992 was $65,082,000, which was estimated using a discounted cash flow analysis, based on the Company's assumed incremental borrowing rates for similar types of borrowing arrangements. The fair value at December 31, 1992 of the Company's interest rate swap agreements is estimated to be $1,071,000 which was estimated using a discounted cash flow analysis, based on current interest rates.

Note I — Investments and Deferred Charges

. . . .

. . . .The fair value of the Company's long-term notes receivable at December 31, 1992 was $3,144,000, which was estimated using a discounted cash flow analysis, based on the assumed interest rates for similar types of arrangements.

CSX CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements
(all tables in millions of dollars, except per share amounts)

Note 1. Significant Accounting Policies

. . . .

Fair Values of Financial Instruments. The following methods and assumptions were used by the company in estimating fair values for financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments."

Current Assets and Current Liabilities. The carrying amounts reported in the statement of financial position for current assets and current liabilities qualifying as financial instruments approximate their fair values.

Long-Term and Short-Term Debt. The carrying amounts of the company's borrowings under its short-term debt arrangements approximate their fair values. The fair values of the company's long-term debt have been based upon market quotations for similar debt instruments or estimated using discounted cash flow analyses based upon the company's current incremental borrowing rates for similar types of borrowing arrangements.

The company's remaining financial instruments at December 31, 1992, are not significant.

. . . .

Note 11. Debt and Credit Agreements

. . . .

The estimated fair value of long-term debt at December 31, 1992, is as follows:

		Fair Value	
	Total Debt	Current Maturities	Long-Term Debt
Notes Payable	$1,254	$ 79	$1,175
Debentures	1,003	—	1,003
Equipment Obligations	721	101	620
Commercial Paper	300	—	300
Mortgage Bonds	160	7	153
Other Obligations	149	13	136
Total	$3,587	$200	$3,387

. . . .

DPL INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Fair Value of Financial Instruments. The reported value of short-term financial instruments on the balance sheet is equivalent to fair value. The preferred stock and long-term debt fair values are disclosed in Notes 8 and 9, respectively.

. . . .

8. Preferred Stock

. . . .

(c) Series H and I preferred stock of $42.8 million (including current portion) have a fair value of $44.1 million, based upon quoted market prices.

. . . .

9. Long-Term Debt

. . . .

(b) The long-term debt of $1,006.8 million (including current portion) has a fair value of $1,066.2 million, based upon quoted market prices of Company debt or debt with similar characteristics.

. . . .

EG & G INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Financial Instruments: Disclosures about fair value of financial instruments, including the methods and assumptions used to estimate the fair values, are included in Notes 6 and 8.

6. Investments

. . . .

Other investments consisted of nonmarketable investments in private companies and venture capital partnerships, which are carried at the lower of cost or net realizable value. The estimated aggregate fair value of other investments approximated the carrying amount at January 3, 1993. The fair values of other investments were estimated based primarily on the most recent rounds of financing and securities transactions and, to a lesser extent, on other pertinent information, including financial condition and operating results.

. . . .

8. Debt

. . . .

In October 1989, the Company entered into an interest rate and currency exchange agreement that effectively established a 73.5 million Deutschemark principal obligation due 1994 at a fixed interest rate of 7.6% in exchange for $40 million. . . . The carrying amount at January 3, 1993 approximated fair value based upon what the Company would have paid to terminate the agreement at that date.

At January 3, 1993 and December 29, 1991, long-term debt amounts of $2 million and $2.3 million, respectively, were included in long-term liabilities. The carrying amount of the Company's long-term debt at January 3, 1993 approximated fair value.

EXXON CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

The accompanying consolidated financial statements and the supporting and supplemental material are the responsibility of the management of Exxon Corporation.

Accounting principles underlying the financial statements are generally accepted in the United States.

1. Summary of Accounting Policies

. . . .

Financial Instruments. The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values. Marketable securities are stated at the lower of cost or market value.

. . . .

12. Long-Term Debt

. . . .

The estimated fair value of total long-term debt, including capitalized lease obligations, at December 31, 1992 was $9.3 billion.

FLEXI VAN CORPORATION, DECEMBER 31, 1992

Flexi-Van Corporation and Subsidiary Companies
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies

. . . .

Fair Value of Financial Instruments. Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" requires that the Company disclose estimated fair values of financial instruments. The recorded value for cash and cash equivalents approximates fair value because of the short maturity of these instruments. The carrying value of long-term marketable securities is based on quoted market prices. The fair value and the methodology of estimating fair values of other financial instruments for the Company are disclosed elsewhere in the Notes to Consolidated Financial Statements.

3. Long-Term Debt and Short-Term Borrowings

. . . .

During 1986, Flexi-Van Leasing issued $100,000,000 aggregate principal amount of 9¾% Guaranteed Notes due 1996 ("Notes"), unconditionally guaranteed as to payment of principal and interest by the Company. During 1988, Flexi-Van Leasing issued $100,000,000 aggregate principal amount of 13½% Senior Subordinated Debentures due 1998 ("Debentures"), unconditionally guaranteed on a subordinated basis as to the payment of principal, premium, if any, and interest by the Company. . . . The fair value of the Notes and Debentures, at December 31, 1992, is $154,525,000 based on quoted market prices for the same or similar issues.

. . . .

Notes payable consist of a loan from a domestic bank due December 31, 1996. . . . Considering the Company's right to prepay the loan without penalty and the floating interest rate, the Company believes the carrying amount approximates fair value at December 31, 1992. The loan is supported by an interest rate swap agreement which fixes the annual interest rate at 9.66%. The estimated value to cancel the interest rate swap at December 31, 1992 was $1,743,000, taking into account current interest rates.

. . . .

Flexi-Van Leasing is a party to a Revolving Credit and Term Loan Agreement dated May 24, 1988, as amended (the "Credit Agreement"). The Credit Agreement was renewed during 1992 and provides for borrowings of up to $75,000,000. . . . Considering the short maturity of the obligation and the floating interest rate, the Company believes the carrying amount approximates fair value at December 31, 1992.

. . . .

10. Related-Party Transactions

Flexi-Van Leasing ("Leasing") entered into agreements to lend funds to Pacific Holding Company, a sole proprietorship of Mr. David H. Murdock. Mr. Murdock is Chairman and Chief Executive Officer of Flexi-Van and is the beneficial owner of all of Flexi-Van's outstanding common stock . . . . previous loans. The fair value of these loans is difficult to estimate due to their related-party nature. However, since the loans are payable on demand and repriced frequently, at market rates, the Company believes the carrying amount reasonably approximates the fair value at December 31, 1992.

. . . .

GATX CORPORATION, DECEMBER 31, 1992

GATX Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note A — Significant Accounting Policies

. . . .

Cash Equivalents — . . . . The carrying amounts reported in the balance sheet for cash and cash equivalents approximate the fair value of those assets.

. . . .

Off-Balance-Sheet Instruments — Fair values of GATX's off-balance-sheet financial instruments (futures, swaps, forwards, options, guarantees, and lending and purchase commitments) are based on current market prices, settlement values or fees currently charged to enter into similar agreements.

. . . .

Note C — Secured Loans

. . . .

At December 31,1992, $31.4 million of GATX's $246.0 million loan portfolio were nonperforming real estate loans. GATX does not believe an estimate of the fair value of these nonperforming loans can be made at this time because active markets for these properties do not currently exist. . . .

The fair value estimate of the $214.6 million remaining loan portfolio is estimated to be $220.7 million. For variable rate loans totaling $104.9 million, fair value is based on carrying amounts. The fair value of the $109.7 million of fixed rate loans is estimated using discounted cash flow analyses, using interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

Note F — Short-Term Debt and Lines of Credit

. . . .

The carrying amounts reported in the balance sheet for short-term debt at December 31, 1992 approximate fair value.

. . . .

Note G — Long-Term Debt

. . . .

The carrying amount of the variable rate debt at December 31, 1992 approximates its fair value. The fair value of the fixed rate debt was $1,393.9 million at December 31, 1992. Fair value was estimated by aggregating the notes and performing a discounted cash flow calculation using a weighted average note term and market rate based on GATX's current incremental borrowing rates for similar types of borrowing arrangements.

. . . .

In 1990, GATX entered into a currency swap agreement to finance the purchase of the United Kingdom assets of Unitank. . . . The fair values of the swap components at year end would result in a net payment by GATX of $.5 million if the swap were terminated.

GATX uses interest rate swaps, caps, forwards and other similar contracts to set interest rates on existing or anticipated transactions. . . . The total of these instruments in place at year end was $60.0 million with a fair value approximating their notional principal amounts. . . .

. . . .

Note M — Commitments and Concentrations of Credit Risk

. . . .

. . . . Loan commitments comprise $12.5 million of the total funding obligation at December 31, 1992; the fair values of these obligations total $.2 million as calculated by estimating the current fees which would be charged for similar commitments. . . .

HAVERTY FURNITURE COMPANIES INC., DECEMBER 31, 1992

Haverty Furniture Companies, Inc.
Notes to Financial Statements

Note A — Significant Accounting Policies

Cash Equivalents: . . . . The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

. . . .

Accounts Receivable and Revenue Recognition: . . . . The carrying amount of the Company's accounts receivable approximates their fair value.

. . . .

Note D — Credit Arrangements

At December 31, 1992 the Company owed $40,400,000 in short-term loans to banks, of which $13,600,000 was classified as long-term debt as described in Note E. The carrying amount of these borrowings approximates their fair value.

. . . .

The Company has an interest rate swap agreement with an initial $10,000,000 notional amount. . . . The fair value of this agreement is not significant.

Note E — Long-Term Debt and Capital Lease Obligations

. . . .

The carrying amount of the Company's long-term debt and capital lease obligations approximates their fair value.

. . . .

HERCULES INCORPORATED, DECEMBER 31, 1992

Notes to Financial Statements
(dollars in thousands, except per share)

4. Investments

. . . .

Investments–other include noncurrent marketable securities aggregating $54,558 and $50,768 at December 31, 1992 and 1991, respectively. The fair value of these investments, based on market quotes, approximates book value at December 31, 1992.

. . . .

6. Short-Term Debt

. . . .

. . . . Fair values of commercial paper and bank borrowings approximate book values because of their short maturity period.

. . . .

7. Long-Term Debt

. . . .

(g) Long-term debt maturities during the next five years are $52,165 in 1993, $98,034 in 1994, $53,229 in 1995, $51,024 in 1996, and $795 in 1997. The estimated fair value of the company's long-term debt (including current maturities) at December 31, 1992 is $547,500. Estimates are based on quoted market prices for the same or similar issues or on the current rates available to the company for debt of the same remaining maturities. The estimated fair value exceeds book value because currently available interest rates are generally lower than the actual interest rates on the company's long-term debt, which was obtained in periods when interest rates were generally higher.

. . . .

19. Financial Instruments

. . . .

The fair value of the company's financial instruments is estimated using bank or market quotes or discounted cash flows using year end foreign exchange and interest rates. At December 31, 1992, the estimated fair values of forward exchange, currency swap and interest rate swap contracts are $400, $7,160 and $350, respectively.

. . . .

MATTEL INC., DECEMBER 31, 1992

Note 1 — Summary of Significant Accounting Policies

. . . .

Cash — Cash includes cash equivalents. Highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. Because of the short maturity of these instruments, the carrying amount is a reasonable estimate of fair value.

. . . .

Note 4 — Seasonal Financing, Long-Term Debt and Preferred Stock of Financing Subsidiary

. . . .

To meet seasonal borrowing requirements for its international operations, the Company negotiates individual financing arrangements, generally with the same groups of banks that provided credit in the prior year. . . . Interest rates for these obligations are adjusted on a periodic basis; therefore the carrying amount is a reasonable estimate of fair value.

. . . .

Mortgage Note — In December 1990, the Company borrowed $45.0 million under a mortgage agreement secured by its headquarters office facility in El Segundo, California. . . . The fair value of the mortgage note at December 31, 1992 was approximately $54 million. Fair value is estimated by discounting the future cash flows at the interest rate currently available, assuming the same credit rating and with similar terms and maturity date.

. . . .

Foreign term loans consist principally of unsecured Malaysian export financing aggregating $16.2 million, revolving on a long-term basis under an open-ended term, bearing interest at 6.0%; an Italian loan of $13.5 million secured by property, plant and equipment, maturing in 1994, bearing interest at alternate rates selected by the Company which would not be greater than LIBOR plus 5/8 of one percent; an Indonesian loan of $6.0 million secured by a guarantee from the Company, bearing interest at the lending bank's short-term loan rate plus 1 3/4 of one percent, maturing in 1997; and an unsecured French loan of $5.4 million, payable in 1998, bearing interest at 9.5%. Because the interest rates on the Malaysian, Italian and Indonesian term loans are adjusted on a periodic basis, the carrying amount of these loans is a reasonable estimate of their fair values. Based on a quote from the bank originating the French term loan, the rate currently available from the bank on a loan with similar terms and maturity date would be 10.5%.

The outstanding ESOP Notes of $8.4 million, of which $4.9 million is classified with current liabilities, are scheduled to mature in August 1994. . . . Because the interest rate for this obligation is adjusted on a monthly basis, the carrying amount is a reasonable estimate of fair value.

. . . .

Note 6 — Commitments and Contingencies

. . . .

Foreign Currency Contracts — The Company enters into foreign currency forward exchange contracts, swaps and options as hedges of inventory purchases, sales and short-term intercompany borrowings. At December 31, 1992, the Company and its foreign affiliates had outstanding forward contracts for the purchase of $192.7 million in U.S. dollars and $76.2 million in foreign currencies (16.0 million deutschemarks, at the year-end spot rate; 79.6 million Malaysian ringgits and 274.0 million Hong Kong dollars, at the respective contract rates). The contracts, all of which mature during 1993, hedge $248.2 million of future inventory purchases and $20.7 million of intercompany borrowings. The fair value of these contracts totalled $258.2 million at December 31, 1992.

The Company held forward contracts to sell $58.4 million in foreign currencies (37.0 billion lira, 1.2 million pounds sterling, 10.0 million Australian dollars, 72.1 million French francs, and 1.4 billion yen, at the respective contract rates). The contracts hedge $25.5 million of future sales and $32.9 million of intercompany borrowings and expire on various dates during 1993. The fair value of these contracts totalled $56.6 million at December 31, 1992.

Fair values are based upon currency dealer quotes obtained as of year-end for the purchase of forward exchange contracts having similar terms and the same expiration dates as those held by the Company.

Note 11 — New Accounting Pronouncements

Fair Value of Financial Instruments — In December 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments. Statement No. 107 requires the disclosure of fair value information for all financial instruments, both on- and off-balance sheet, for which it is possible to estimate fair value. The statement is effective for the 1992 year-end, but does not require comparative disclosures for prior years.

MAYTAG CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

. . . .

Short- and Long-Term Debt: The carrying amounts of the Company's borrowings under its short-term revolving credit agreements, including multicurrency loans, approximate their fair value.

The fair values of the Company's long-term debt are estimated based on quoted market prices of comparable instruments.

Long-Term Debt

. . . .

The fair value of the Company's long-term debt exceeded the amount recorded in the statement of consolidated financial condition at December 31, 1992 by $50 million.

. . . .

MEDCO RESEARCH INC., AUGUST 31, 1992

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

. . . .

Fair Value of Financial Instruments. In December 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" (SFAS No. 107). SFAS No. 107 requires companies to disclose fair value information about all of their financial instruments except certain financial instruments which have been specifically excluded. SFAS No. 107 is effective for years ending after December 15, 1992, for companies with total assets greater than $150 million. For companies with less than $150 million in total assets, SFAS No. 107 is effective for years ending after December 15, 1995. During the year ended August 31, 1992, the Company adopted early the provisions of SFAS No. 107.

The Company's financial instruments, as defined in SFAS No. 107, consist principally of cash and cash equivalents, accounts receivable and payable, accrued royalties and investments. The Company's investments include primarily investments in marketable debt securities. . . .

2. Fair Values of Financial Instruments

Fair values of marketable debt securities are based on quoted market prices (excluding accrued interest), where readily available. If quoted market prices are not readily available, fair values are based on quoted market prices of comparable instruments. The fair value of cash and cash equivalents, accounts receivable and payable and accrued royalties closely approximates the carrying amount recorded in the balance sheet. The principal or face amounts, cost, carrying amounts and fair values of the Company's financial instruments (for those financial instruments having different carrying amounts and fair values) at August 31, 1992 are as follows:

	Principal Amount	Cost	Carrying Amount	Fair Value
Investments in marketable debt securities (all non-current):				
Federal				

2. *Fair Values of Financial Instruments (continued)*

	Principal Amount	Cost	Carrying Amount	Fair Value
Home Loan Bank Consolidated Bonds	$ 3,000,000	$ 2,993,700	$ 2,992,110	$ 3,091,860
Federal Farm Credit Bank Discount Notes	3,000,000	2,871,480	2,935,740	2,952,600
FNMA Discount Notes	9,000,000	8,794,972	8,801,798	8,842,773
U.S. Treasury Notes	12,000,000	11,894,275	11,973,888	12,344,970
	$27,000,000	$26,554,427	$26,703,536	$27,232,203

PHILIP MORRIS COMPANIES INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note 5. Short-Term Borrowings and Borrowing Arrangements

. . . .

The fair values of the Company's short-term borrowings at December 31, 1992, based upon market rates, approximate the amounts disclosed above.

. . . .

Note 6. Long-Term Debt

. . . .

Based on market quotes, where available, or interest rates currently available to the Company for issuance of debt with similar terms and remaining maturities, the aggregate fair values of consumer products and financial services and real estate long-term debt at December 31, 1992 did not materially differ from the total amounts disclosed above.

. . . .

Note 16. Financial Services and Real Estate Operations

. . . .

Other investments consist primarily of preferred stock and real estate and commercial receivables, the total estimated fair value of which, at December 31, 1992, approximated the amount disclosed above. The fair values of subordinated debt and preferred stock were estimated using quoted market prices. Fair values for real estate and commercial receivables were estimated by discounting projected cash flows using the current rates for similar loans to borrowers with similar credit ratings and maturities.

. . . .

NACCO INDUSTRIES INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements
NACCO Industries, Inc. and Subsidiaries
(tabular dollars in thousands, except per share data)

Note A — Accounting Policies

. . . .

Financial Instruments: In 1992, the Company adopted Statement of Financial Accounting Standards No. 107 (SFAS 107), which requires disclosures about fair value of financial instruments. The fair value of financial instruments, except for the Company's senior subordinated debentures, approximated their carrying values at December 31, 1992. Fair values have been determined through information obtained from quoted market sources and management estimates.

. . . .

Note G — Revolving Credit Agreements and Notes Payable

. . . .

The senior subordinated debentures are callable by the Company beginning August 1, 1992, and prior to maturity at redemption prices (expressed as percentages of the principal amount) as follows: during the 12-month period beginning August 1, 1992 −110.0%; 1993 −107.5%; 1994 −105.0%; 1995 −102.5%. At December 31, 1992, the fair value of these debentures was $214.0 million.

. . . .

JAMES RIVER CORPORATION OF VIRGINIA, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note 9. Supplemental Balance Sheet Information

Short-Term Securities. . . . The carrying value of cash and short-term securities approximates fair value because of the short maturity of these instruments.

. . . .

Note 12. Long-Term Debt

. . . .

Fair Value of Long-Term Debt. The fair value of the Company's long-term debt was estimated based on quoted market prices for the same or similar debt issues or on current rates offered as of the end of 1992 for debt with similar terms and remaining maturities. As of December 27, 1992, the estimated fair value of the Company's long-term debt, including current maturities, was $2.4 billion.

Note 16. Commitments and Contingent Liabilities

. . . .

Put and Call Agreements. In December 1988, James River and Occidental Forest, Inc. ("OFI") entered into an agreement providing for put and call arrangements on OFI's 77% ownership interest in Diamond. . . .

James River is also a party to put and call arrangements in connection with Jamont, in which the Company currently has a 43% indirect ownership interest. . . .

It is not practicable to estimate the fair value of these put and call arrangements as they relate to untraded entities, and their ultimate values will be affected by future operating performance and market conditions. Management believes, however, there is only minimal risk that the assets that are subject to fixed price puts will be worth substantially less than the specified purchase prices, excluding the potential impact of currency risk, if any.

SANTA FE PACIFIC CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note 13: Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments at December 31, 1992, and the methods and assumptions used to estimate such fair values, are as follows:

Cash and Short-Term Investments. The fair value of cash and short-term investments approximates the carrying amount because of the short maturity of those instruments.

Note Receivable. The fair value of the Note Receivable approximates the carrying amount as the variable interest rate on the note approximates current interest rates.

Other Investments. SFP maintains various other investments in common stock with a carrying value of approximately $27 million, which are accounted for under a cost basis. These investments are in non-publicly traded companies which have no quoted market prices; therefore, a reasonable estimate of fair value could not be made.

Long-Term Debt. The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates which would be offered to the Company for debt of the same remaining maturities. The carrying value of debt at December 31, 1992 was $1,451.5 million compared with an estimated fair value of approximately $1,620 million.

Note 15: Leases and Other Commitments

Minerals has entered into various forward sales contracts, excluding gold loans (see Note 14: Deferred Gold Revenues), providing for the future delivery of gold. The forward sales contracts have an aggregate sales value of approximately $53.1 million, which commit Minerals to the future delivery of 138,400 ounces of gold at an average price of $384 per ounce. Scheduled delivery dates under the forward sales contracts range from the beginning to the end of 1993.

THOMAS & BETTS CORPORATION, DECEMBER 31, 1992

Notes to Consolidated Financial Statements

1 — Summary of Significant Accounting Policies

. . . .

Foreign Exchange Contracts

. . . .

. . . . The recorded value of these foreign currency contracts approximated their fair value at December 31, 1992.

. . . .

4 — Long-Term Debt

. . . .

Based on the latest quoted price prior to December 31, 1992, the market value of the 12-year debt securities was $3.4 million over carrying value. The carrying value of all other long-term debt approximated fair value. Based on current quotes at December 31, 1992, the payment required to settle interest rate swap and cap agreements was $3.1 million.

THOMAS INDUSTRIES INC., DECEMBER 31, 1992

Notes to Consolidated Financial Statements

Note I — Accounting Policies

. . . .

Financial Instruments: Various methods and assumptions were used by the Company in estimating its fair value disclosures for significant financial instruments. Fair values of cash equivalents approximate their carrying amount because of the short maturity of those investments. The fair value of short-term debt approximates its carrying amount. The fair value of long-term debt is based on the present value of the underlying cash flows discounted at the current estimated borrowing rates available to the Company.

. . . .

Note 5 — Long-Term Debt and Credit Arrangements

. . . .

As current interest rates are generally lower than the above rates, the fair value of the Company's long-term debt at December 31, 1992, was $94,150,000.

. . . .

UNITED INDUSTRIAL CORPORATION, DECEMBER 31, 1992

Notes to Financial Statements
United Industrial Corporation

Note 1: Summary of Significant Accounting Policies

. . . .

Cash Equivalents: The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount reported in the balance sheet approximates their fair value.

. . . .

Note 4: Other Assets

. . . .

The note receivable is due from a British manufacturing company and relates to the sale of a subsidiary in 1985. . . . The fair value of the note receivable is estimated to be $27,587,000 at December 31, 1992, using discounted cash flow analysis based on current market rates for similar lending arrangements. . . .

VF CORPORATION, DECEMBER 31, 1992

VF Corporation
Notes to Consolidated Financial Statements

Note F — Long-Term Debt

. . . .

The fair value of the Corporation's long-term debt at January 2, 1993 exceeds its recorded amount by $38.0 million. The fair value of the Corporation's short-term borrowings approximates its recorded amount. Fair value is based on quoted market prices or values of comparable borrowings.

Note J — Redeemable Preferred Stock

. . . .

The fair value of the Series B Preferred Stock at January 2, 1993, based on a valuation by an independent financial consulting firm, exceeds its recorded amount by $24.3 million.

FINANCIAL REPORT SURVEYS*

35 Update Illustrations of Reporting Accounting Changes (1987)
A survey of the application of APB Opinion No. 20, as amended

36 Illustrations of Accounting Policy Disclosure (1987)
A survey of the application of APB Opinion No. 22

38 Illustrations of Cash-Flow Financial Statements (1989)
A survey of the application of FASB Statement No. 95

39 Quasi-Reorganizations (1989)
A survey of quasi-reorganizations disclosed in corporate annual reports to shareholders

40 Illustrations of the Presentation of Financial Information About Consolidated Nonhomogeneous Subsidiaries (1990)
A survey of the application of FASB Statement No. 94

41 Illustrations of Departures From the New Standard Auditor's Report on Financial Statements of Business Enterprises (1990)
A survey of the application of SAS No. 58

42 Illustrations of the Disclosure of Related-Party Transactions (1990)
A survey of the application of FASB Statement No. 57

44 Illustrations of Pro Forma Financial Statements That Reflect Subsequent Events (1991)

45 Illustrations of Management's Discussion and Analysis of Financial Condition and Results of Operations (1991)
A survey of the application of Item 303 of Regulation S–K and Section 501 of the Codification of Financial Reporting Policies *of the Securities and Exchange Commission, as modified by Financial Reporting Release No. 36, issued May 18, 1989*

46 Illustrations of the Disclosure of Information About Financial Instruments With Off-Balance-Sheet Risk and Financial Instruments With Concentrations of Credit Risk (1992)
A survey of the application of FASB Statement No. 105

47 Illustrations of Reporting the Results of Operations (1992)
A survey of the recent application of APB Opinion 30

48 Illustrations of the Disclosure by Financial Institutions of Certain Information About Debt Securities Held as Assets (1992)
A survey of the application of SOP 90-11

49 Illustrations of Accounting for Income Taxes (1992)
A survey of the application of FASB Statement No. 109

50 Illustrations of Accounting for Environmental Costs (1993)
A survey of the application of FASB Statement No. 5 as it applies to accounting for costs to comply with governmental regulations to protect the environment

51 Illustrations of Accounting for Postretirement Benefits Other Than Pensions (1993)
A survey of the application of FASB Statement No. 106

52 Illustrations of Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (1994)
A survey of the application of AICPA SOP 90-7

53 Illustrations of Disclosures About Fair Value of Financial Instruments (1994)
A survey of the application of FASB Statement No. 107

**FRS Nos. 1–34, 37, and 43 are no longer in print.*

AICPA

American Institute of Certified Public Accountants

037999