USR INDUSTRIES, INC.

550 POST OAK BOULEVARD / SUITE 545 / HOUSTON, TEXAS 77027

(713) 622-9171

February 7, 1991

BY HAND DELIVERY

Robert M. Bernero, Director
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

RE: USR Industries, Inc. Demand for Information

Dear Mr. Bernero:

Enclosed please find the response of USR Industries, Inc. to the NRC Demand for Information. I affirm that to the best of my knowledge and belief that all material submitted in response to the Demand for Information is true and accurate as of the date of this submission.

Very truly yours,

USR INDUSTRIES, INC.

By: Ralph T. McElvenny, Jr.

Ralph T. McElvenny, Jr.
President

State of Texas }
} ss
County of Harris }

Subscribed and sworn to before me this 5th day of February, 1991.

Cheryl J. Brown

Notary Public

My Commission expires: 8-29-93

USR INDUSTRIES, INC.

RESPONSE TO DEMAND FOR INFORMATION
February 7, 1991

USR INDUSTRIES, INC.
RESPONSE TO DEMAND FOR INFORMATION

TAB 1 If USR Industries believes that 10 C.F.R. § 30.35 does not apply to it, the basis for that determination.

TAB 2 If USR Industries has already submitted a surety instrument to the NRC, the date USR Industries submitted the surety instrument and the address USR Industries sent it to (if USR Industries has already submitted a surety instrument to the NRC, USR Industries need not satisfy the remaining requirements in this Demand for Information, unless notified by the Regional Administrator, Region I).

Whether USR Industries has obtained a commitment from a financial institution to provide the required financial instrument.

If USR Industries has obtained a commitment from a financial institution to provide the required financial instrument, when USR Industries expects to provide the instrument to the NRC and, if USR Industries does not provide the instrument within 30 days of the date of this Demand for Information, a complete explanation of why not must be provided in its place.

TAB 3 If USR Industries has not obtained a commitment from a financial institution to provide the required financial instrument

(a) copies of (i) USR Industries' most recent audited balance sheet showing all assets and liabilities; (ii) USR Industries' most recent audited profit and loss statement; (iii) USR Industries' most recent audited detailed statement of income and expenses; (iv) a detailed statement of USR Industries' income and expenses from January 1, 1990, to present; (v) USR Industries' Federal tax return for the last year;

(b) a complete description of why USR Industries has not obtained the required instrument, including (i) copies of any applications to financial institutions for financial assurance instruments; (ii) if those applications have been denied, copies of the denials; and (iii) the names, addresses, and telephone numbers of the financial institutions and individual persons at those institutions that USR Industries has contacted in order to obtain the required instrument and the dates of principal contacts; and

(c) a detailed description of any other steps USR Industries has taken in order to comply with 10 C.F.R. § 30.35.

TAB 4 If USR Industries does not provide the required financial instrument within 30 days of the date of this Demand for Information, it shall provide:

(a) a description of all disposals of radioactive material that have been made on site under 10 C.F.R. § 20.302 or § 20.304, including records of the disposals indicating their location, number, isotope, description, quantities, and dates of disposal;

(b) a description of the nature of any contamination of buildings, equipment, soil, or groundwater, including area or volume contaminated, isotope, and concentrations per unit area or volume;

(c) a description of the nature of any radioactive material in storage either as inventory, in production or waste;

(d) a description of any increase in the amount of accumulated radioactive waste or contamination of buildings, equipment, soil or groundwater resulting from continuing operations, including the type of waste or contamination, its location, and the rate of increase per month; and

(e) a description of current plans to remove stored waste or decontaminate buildings, equipment, soil, or groundwater, including a schedule, identification of repository proposed to receive the waste or contaminated materials, and the source of funds for implementing the plans.

TAB 5 If USR Industries does not submit the required instrument within 30 days of the date of this Demand for Information, a statement demonstrating why the NRC Staff should have confidence that it will be able to fully decontaminate the Bloomsburg site.

Section 30.35 does not apply to USR Industries which is not now, and never has been, an NRC licensee or in possession of NRC regulated materials.[1/] USR Industries has maintained that the NRC lacks jurisdiction over it with respect to the March 16, 1989, and August 21, 1989, Orders in In re the Matter of Safety Light Corporation, et al. and with respect to 10 C.F.R. § 30.35. On November 20, 1989, USR Industries filed a motion to dismiss the March and August orders to the extent that they apply to USR Industries, on the grounds that the NRC lacked jurisdiction over USR Industries. In ALAB-931, which became final on June 6, 1990,

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1/ 10 C.F.R. § 30.35(c)(2) provides:

> Each holder of a specific license issued before July 27, 1990, and of a type described in paragraph (a) of this section shall submit, on or before July 27, 1990 a decommissioning funding plan or a certification of financial assurance for decommissioning in an amount at least equal to $750,000 in accordance with the criteria set forth in this section. If the licensee submits a certification of financial assurance rather than a decommissioning funding plan at this time, the licensee shall include a decommissioning funding plan in any application for license renewal.
> (Emphasis added)

Safety Light Corporation is the named licensee on by-product Material License Nos. 37-00030-02, 37-00030-08, 3700030-07E, 3700030-09G, and 37-00030-10G, all of which the Nuclear Regulatory Commission ("NRC") originally issued to United States Radium Corporation on or before December 13, 1971.

the Atomic Safety and Licensing Appeal Board upheld the Licensing Board's order denying the motion to dismiss. This issue is now pending before the United States Circuit Court for the District of Columbia (App. No. 90-1407). That appeal has been stayed pending the resolution of In the Matter of Safety Light Corporation, et al. Docket Nos. 030-05980, et al.

TAB 2

USR Industries has not submitted a surety instrument to the NRC for the reasons set forth at Tab 1. USR Industries has not obtained a commitment from a financial institution to provide the required financial instrument for the reasons set forth at Tab 1. USR Industries has not obtained a commitment from a financial institution to provide the required financial instruments nor does USR Industries expect to provide the instrument to the NRC for the reasons set forth at Tab 1.

USR Industries notes, however, that, as to the Bloomsburg site, Safety Light Corporation has submitted a good faith response to these matters, which, if sufficient, would obviate the need for USR Industries to submit a duplicate submission.

Enclosed are copies of USR Industries' annual report for the fiscal year ending December 31, 1989 (Form 10-K) and USR Industries' quarterly reports for the quarterly periods ending March 31, 1990, and December 31, 1990 (Form 10-Q), which provide USR Industries' most recent audited balance sheet showing all assets and liabilities; USR Industries most recent audited profit and loss statement; USR Industries most recent audited detailed statement of income and expenses; and a detailed statement of USR Industries income and expenses from January 1, 1990 to present. USR Industries' Federal Tax Return for 1989 is also attached.

For the reasons set forth at Tab 1, USR Industries has not obtained the financial instrument pursuant to 10 C.F.R. § 30.35. However, SLC's Response to Demand for Information provides copies of SLC's applications to financial institutions for financial assurance instruments; copies of denials of those applications; the names, addresses and telephone numbers of the financial institutions and individual persons at those institutions whom SLC contacted in order to obtain the required instruments and the dates of principal contacts; and a detailed description of any other steps SLC has taken in order to comply with 10 C.F.R. § 30.35 (see SLC Response to Demand for Information at Tabs 2(a)-(c)).

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1990

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 1-8040

USR INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2303184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

550 Post Oak Boulevard, Suite 545, Houston, Texas 77027
(Address of principal executive offices)
(Zip Code)

(713) 622-9171
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES XXX NO ______

As of May 1, 1990 the Registrant had outstanding 994,655 shares of Common Stock, Par Value $1.00 per share, which is the Registrant's only class of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

USR INDUSTRIES, INC.

Consolidated Balance Sheets

	March 31, 1990 (Unaudited)	December 31, 1989
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,401	65,864
Accounts receivable	380,562	293,717
Inventories	22,996	22,550
Notes receivable-current portion	15,334	14,944
Common stock held for sale-Golden Oil Company	122,269	122,269
Prepaid expenses and other	63,251	106,092
Total current assets	636,813	625,436
Investment in Partnership	287,575	289,258
Notes receivable	436,632	453,948
Property, plant and equipment, at cost	1,716,716	1,716,716
Less accumulated depreciation	(1,353,870)	(1,332,433)
	362,846	384,283
Other assets, net	63,482	63,482
	$ 1,787,348	1,816,407

- Continued -

USR INDUSTRIES, INC.

Consolidated Balance Sheets (Continued)

	March 31, 1990 (Unaudited)	December 31, 1989
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 168,528	179,196
Accounts payable	476,965	380,225
Accrued expenses	127,093	137,435
Total current liabilities	772,586	696,856
Other long-term liabilities	17,700	17,500
Long-term obligation under capital lease	61,067	61,277
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $1; 3,500,000 shares authorized; issued and outstanding 994,655 shares at March 31, 1990 and December 31, 1989	994,655	994,655
Additional paid-in capital	365,461	365,461
Accumulated deficit	(424,121)	(319,342)
Total stockholders' equity	935,995	1,040,774
	$ 1,787,348	1,816,407

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 1990	Three Months Ended March 31, 1989
Revenues:		
Net sales	$ 284,882	155,243
Rental income	23,303	23,703
Interest income	12,787	16,120
Other income	1,768	81
Total revenues	322,740	195,147
Costs and expenses:		
Cost of sales	131,993	72,293
Selling, general and administration expenses	267,227	101,352
Depreciation and amortization	21,437	16,190
Interest expense	5,179	4,650
Total costs and expenses	425,836	194,485
Equity in net loss of Partnership	(1,683)	(14,692)
Equity in net loss of Golden Oil Company	-	(75,893)
Net earnings (loss)	$ (104,779)	(89,923)
Net earnings (loss) per common share	$ (.11)	(.09)
Weighted average number of common shares outstanding	994,655	994,655

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 1990	1989
Cash flows from operating activities:		
Net earnings (loss)	$ (104,779)	(89,923)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,437	16,190
Accretion of discount on notes receivable	(2,053)	(4,302)
Equity in net loss of Partnership	1,683	14,692
Equity in net loss of Golden Oil Company	-	75,893
Changes in assets and liabilities net of effects of the exclusion of Partnership in the consolidation:		
Increase (decrease) in long-term lease obligations	(210)	(195)
Increase (decrease) in other long-term liabilities	200	200
(Increase) decrease in accounts receivable	(86,845)	(5,627)
(Increase) decrease in inventories	(446)	3,686
(Increase) decrease in prepaid expenses and other	42,841	(14,587)
Increase (decrease) in accounts payable	96,740	(17,936)
Increase (decrease) in accrued expenses	(10,342)	11,536
Net cash provided by (used in) operating activities	(41,774)	(10,373)
Cash flows from investing activities:		
Decrease in ownership of Golden Oil Company	-	85,174
Principal receipts of note receivable	18,979	2,327
Advances to Partnership	-	(46,753)
Cash surrendered through deconsolidation of the Partnership	-	(636)
Net cash provided by (used in) investing activities	$ 18,979	40,112

- Continued -

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows (Continued)
(Unaudited)

	Three Months Ended March 31, 1990	1989
Cash flows from financing activities:		
Payments on notes payable	$ (10,668)	(8,000)
Net cash provided by (used in) financing activities	(10,668)	(8,000)
Net increase (decrease) in cash and cash equivalents	(33,463)	21,739
Cash and cash equivalents at beginning of period	65,864	14,054
Cash and cash equivalents at end of period	$ 32,401	35,793

Supplemental Schedule of Noncash Investing and Financing Activities:

During the three months ended March 31, 1989, the Company paid accrued directors fees of $120,000 with shares of Golden Oil Common Stock owned by the Company.

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Principles

For a summary of significant accounting principles, see Notes to Consolidated Financial Statements and Note 1 thereof contained in the Annual Report on Form 10-K of USR Industries, Inc. (the "Company") for the year ended December 31, 1989, which is incorporated herein by reference. The Company follows the same accounting policies during interim periods as it does for annual reporting purposes.

The accompanying consolidated financial statements are condensed and unaudited. In the opinion of management, the unaudited interim financial statements furnished reflect all adjustments of a normal recurring nature which are necessary to a fair statement of the results for the interim periods presented.

(2) Ownership of Golden Oil Company Common Stock

As more fully described in the Notes to Consolidated Financial Statements and Note 2 thereof contained in the Annual Report on Form 10-K of the Company, the accounting for the Company's investment in Golden Oil Company ("Golden Oil") Common Stock was changed to the cost method during 1989.

(3) Investment in Partnership

The Company's ownership in Houston-Phoenix Co., Ltd. ("Partnership") constituted approximately 35% at December 31, 1989 and for 1989 the Company's financial statements reflected its investment in the Partnership using the equity method of accounting. For further explanation, see Notes to Consolidated Financial Statements and Note 3 thereof contained in the Annual Report on Form 10-K of the Company. As a result of the accounting method, the financial statements for the three months ended March 31, 1989 have been restated to present that period using the equity method.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

To date the Company has funded its internal cash need from operations; asset sales; issuance of Common Stock; and bank borrowings from time to time. With the sales of the Company's manufacturing assets and its Plan of Asset Redeployment having been substantially completed, the Company expects to look to further sales of assets to meet its liquidity needs, if such are not met from current operations. However, there can be no assurance that the proceeds from such transactions would be sufficient to meet the Company's future expenses, particularly its legal expense.

If in the future the Company is unable to meet its obligations as they fall due, the Company could be required to seek protection from creditors under the federal bankruptcy code.

On a consolidated reporting basis as of March 31, 1990, the Company's working capital deficit was $135,773 and the ratio of current assets to current liabilities was 0.8 to 1.0 versus a working capital deficit of $71,420 and current ratio of 0.9 to 1.0 as of December 31, 1989.

The Company has been required to bear very substantial administrative and legal expenses for certain environmental litigation. For further discussion as to environmental regulations and litigation see Notes to Consolidated Financial Statements and Note 10 thereof contained in the Company's Annual Report on Form 10-K and Part II, Item 1 of this Quarterly Report on Form 10-Q. Under a Defense Agreement dated September 30, 1985 to which the Company, Safety Light Corporation and five primary insurance carriers are parties, certain of the Company's ongoing legal defense costs in the environmental litigation have been assumed by such insurance carriers. However, the Defense Agreement does not fully cover either the direct or indirect costs to the Company of the litigation. Further, it should be noted that the insurance carriers are defending "under reservation" of their absolute rights to deny all liability on the underlying claims and that certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers not party to the 1985 Defense Agreement have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

The Company is subject to additional environmental claims which are not covered by any defense agreement with insurers, although negotiations for the possible participation by certain insurance carriers are in progress. Of course there can be no assurance that such discussions will result in any agreement as to defense costs. In the event that no agreement is reached with insurers with respect to such defense costs, the Company will be required to provide for additional legal expenses. Potential sources of liquidity for the Company include sale of the

Company's remaining ownership of shares of Common Stock of Golden Oil, the sale of notes receivable and the sale of all or part of the Company's partnership interest in the commercial office building in Houston, Texas.

To gain liquidity, the Company initiated an offering during 1988 to its stockholders of rights to purchase up to a total of 400,000 shares of its overall ownership position of Golden Oil Common Stock at a net price, as adjusted, of $.50 per share. Under terms of the offering, all stockholders of the Company were entitled to participate in the offer on a pro rata basis, and to subscribe for Golden Oil Common Stock in proportion to their ownership of Common Stock of the Company. The proceeds from the first and second rounds of the offering were received by the Company and substantially all of such shares offered were subscribed. On March 5, 1990, Golden Oil filed with the Securities and Exchange Commission a Registration Statement on Form S-3 to register the remaining 489,077 shares of Golden Oil Common Stock owned by the Company, which are pledged to a commercial bank as collateral for a note payable. Such shares will be offered to stockholders of the Company on the record date of February 28, 1990 at a price of $.25 per share or the average of the closing bid and asked prices for Golden Oil Common Stock as reported on NASDAQ on the five days preceding the expiration date of such offering, whichever is less.

The Company is of the opinion that if, in the future, there is any material adverse development in the environmental litigation, the Company may be required to make additional asset sales as above or to consider other alternatives, including filing for protection from creditors under the federal bankruptcy code.

Results of Operations

Comparison of the Three Months Ended March 31, 1990 and 1989

Net sales from manufacturing totaled $284,882 for the three months ended March 31, 1990 compared to $155,243 for the corresponding period in 1989. The increase of $129,639 is primarily attributable to the consolidation of MultiMetal Products Corporation ("MultiMetals") as of April 1, 1989 offset by a decline in unit sales volumes of certain other USR Metals, Inc.'s ("Metals") customers. Rental income was $23,303 for the three months ended March 31, 1990 which is consistent with rental income of $23,703 for the corresponding period in 1989. Interest income totaled $12,787 for the three months ended March 31, 1990 compared to $16,120 for the year earlier three month period. Interest income primarily reflects the accretion of the discount and interest attributable to notes receivable from certain net asset sales.

Cost of sales for the three months ended March 31, 1990 was $131,993 compared to $72,293 for the year earlier three month period. The increase of $59,700 is due primarily to a corresponding increase in net sales resulting from the consolidation of MultiMetals. Selling, general and administrative expenses for the three months ended March 31, 1990 increased to $267,227 compared to $101,352 for the corresponding period in 1989. The net increase of $165,875 reflects the effects of the consolidation of the results of operations of MultiMetals as of April 1, 1989 and increased legal and professional fees relating to the environmental litigation as more fully described in Part II, Item 1 of this Quarterly Report on Form 10-Q. Depreciation and amortization for the three months ended March 31, 1990 increased to $21,437 from $16,190 for the year earlier period as a result of the consolidation of MultiMetals. Interest expense for the period ended March 31, 1990 increased to $5,179 from $4,650 for the year earlier period primarily reflecting the consolidation of MultiMetals offset by principal note reductions.

The equity in net loss of the Partnership totaled $1,683 for the three months ended March 31, 1990 compared to $14,692 for the corresponding year earlier period and represents the Company's pro rata equity share of the Partnership's net loss for the respective periods. The decrease of $13,009 is primarily attributable to the decrease in the Company's ownership interest and the decrease in the Partnership's net loss. As a result of the Company changing its method of accounting for its investment in shares of Golden Oil Common Stock to the cost method, the Company reported no equity in net loss of Golden Oil as compared to $75,893 for the period ended March 31, 1989.

As a result of the foregoing, for the quarter ended March 31, 1990 the Company reported a net loss of $104,779 compared to a net loss of $89,923 for the comparable quarter in 1989.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

(a) On April 2, 1981 an action was commenced in the Superior Court of New Jersey, Essex County, by T & E Industries, Inc. naming USRC, the corporate predecessor to Safety Light Corporation ("SLC"), as a defendant and alleging, inter alia, that property in Orange, New Jersey owned by the plaintiff suffers from contamination from certain radioactive materials allegedly deposited thereon by USRC during prior years. The litigation arises from operations conducted by USRC at the site during the years 1917 to 1926. Subsequent to the commencement of this action the complaint was amended to include the Company and certain of its subsidiaries alleged to be corporate successors to the former USRC. The plaintiff seeks to compel remedial action as to alleged improper condition of the site and damages in unspecified amounts in compensation for injury to its property and business as well as punitive damages.

During December 1983 plaintiffs amended such complaint to include as additional defendants GAF Corporation, Mitsubishi Chemical Industries, Inc. ("MCI") and MCI's subsidiary in New Jersey, USR Optonix, Inc., which was alleged to be a corporate successor to the former USRC. The additional defendants were claimed to be liable under the product line exception to the general theory that a third party purchaser of assets is not liable as a successor. The additional defendants answered denying liability and demanded that the previously named defendants defend the action on their behalf and indemnify them against costs and any potential liability in connection therewith. In 1984 the additional defendants were successful on a motion for summary judgment against the plaintiffs and, accordingly, the claims of the additional defendants against the Company and its subsidiaries have been dismissed.

In early 1985 the Company prevailed against a motion for summary judgment by the plaintiff seeking judgment that the Company is the successor to USRC.

In September 1985 five primary insurance carriers of the Company and SLC assumed the defense of the Company, certain of the Company's subsidiaries and SLC, pursuant to a Defense Agreement. While the insurance carriers are assisting in the defense of certain actions their defense is made subject to an absolute reservation of rights to deny liability on any of the underlying claims.

On February 3, 1986, this matter was tried before a jury in front of the Honorable Stanley G. Bedford. This trial was only with respect to the liability, if any, of SLC. Prior to trial, the Court bifurcated the count asserting liability against the Company and certain of the Company's subsidiaries and on November 18, 1985 ordered that all claims against the Company would be severed and separately tried, if at all, in the event plaintiff obtains a judgment against SLC.

During trial the Court granted a directed verdict in favor of SLC dismissing all of plaintiff's strict liability claims, all negligence based claims relating to the conduct of USRC between 1917-1926, and all claims based upon fraud, recklessness and intentional conduct. The only remaining claims against SLC were an alleged negligent failure to warn when the premises were sold in 1943 and a negligence theory which allegedly placed upon USRC a continuing duty to warn prospective purchasers up through the time plaintiff purchased the property in 1974, thirty-one years later. The Court also reduced plaintiff's damage claim from $2.8 million to under $400,000.

On March 11, 1986, the jury returned a verdict, finding that USRC was not negligent in 1943 when it failed to warn its immediate purchaser that the presence of radioactive tailings on the premises constituted a potential risk to health or property. The jury did find that USRC was negligent for not warning plaintiff before its purchase of the property thirty-one years later, in 1974, that the same potential risk to health or property existed on the premises. Damages were assessed against SLC in the amount of $372,100.62.

On April 25, 1986, Judge Bedford granted SLC's motion for judgment in its favor notwithstanding the jury's verdict of March 11, 1986. The

Court also denied plaintiff's application for indemnification by SLC of all cleanup costs assessed against plaintiff as a result of any future government efforts to decontaminate the property. Final judgment was thereafter entered in favor of SLC, the Company and certain of the Company's subsidiaries on May 29, 1986 and awarded on June 20, 1986, dismissing all of plaintiff's claims in their entirety.

On July 9, 1986, plaintiff filed a Notice of Appeal from the June 20, 1986 judgment. On August 11, 1988 the Appellate Division reversed the lower court's decision, entered judgment in favor of plaintiff based on plaintiff's absolute liability claim and remanded the case to the trial court for a new trial on the issue of damages. By order dated September 19, 1988 Safety Light's motion for re-consideration was denied by the Appellate Division. A petition for certification to the Supreme Court of New Jersey has granted and oral arguments were heard on March 12, 1990 pending before that Court.

Since plaintiff's claims against the Company and certain of the Company's subsidiary companies will only be litigated in the event plaintiff is ultimately successful in its appeal against SLC, it is unclear at this time when, if at all, such claims will be tried. If a trial against the Company and certain of its subsidiaries does occur there remains to be resolved the outstanding issues of indemnification by SLC and crossclaims between it and the Company.

Claims also were made by T & E Industries in an action brought in the U.S. District Court for the District of New Jersey, allegedly pursuant to the Comprehensive Environmental Response, Compensation Liability Act of 1980 ("CERCLA") seeking a declaration that defendants are liable for all costs of cleanup and decontamination, consistent with the National Contingency Plan, of the site presently known as 422 Alden Street, Orange, New Jersey and seeking a judgment for "response costs" already incurred and injunctive relief for enforcing such remedy. Defendants made a motion to dismiss and plaintiffs made a cross-motion for partial summary judgment against SLC. The motions were heard on February 10, 1988. The Court, through Judge Wolin, found against the defendants' motion to dismiss and granted T & E's application that SLC is liable under CERCLA for all necessary costs of response incurred by T & E which are consistent with the National Contingency Plan. The Court, however, limited T & E's alleged damages and determined, inter alia, that T & E's claim for attorney's fees are not recoverable response costs under CERCLA.

At this time, neither counsel nor management can predict the outcome of the litigation.

(b) On December 6, 1982 an action was commenced in the Superior Court of New Jersey, Essex County, by Leslie Zwain et al. naming as defendants SLC, the Company and certain of the Company's subsidiaries alleged to be corporate successors to the former USRC and claiming, inter alia, that because of alleged contamination of the site in Orange, New

Jersey, described in (a) above, the plaintiffs have suffered business interruption, diminution of property values, mental anguish and loss of consortium. The plaintiffs seek compensatory and punitive damages in amounts to be established at trial.

On August 5, 1985, the Court dismissed plaintiffs' personal injury claims based upon plaintiffs' failure to institute legal action within the applicable statute of limitations period. On February 25, 1986 the Appellate Court reversed this dismissal and remanded the matter for further proceedings. Defendants' application for leave to appeal this issue to the New Jersey Supreme Court was subsequently denied.

As in the T & E Industries litigation, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of their rights to deny liability on the underlying claims.

(c) During 1984 and 1985 SLC, the Company and its two manufacturing subsidiaries, USR Lighting, Inc. and USR Metals, Inc., were named as defendants in six actions commenced in Superior Court, Essex, County, New Jersey. (A similar action has recently been filed by Deborah Shanks, et al. which contains generally the same issues.) These actions were brought on behalf of certain residents in the Townships of Montclair, Glen Ridge and West Orange, New Jersey and claim, inter alia, damages to land and personal injury in amounts to be proved at trial as well as punitive damages. Such alleged damages are claimed to have been caused by actual or threatened exposure of the property and persons of plaintiffs to levels of radon gas, a radioactive decay product of uranium or radium bearing ores, at levels above background levels naturally occurring and in excess of permissible levels established by the government for members of the public. Plaintiffs allege that such radon gas is a product of landfill obtained from the former USRC site in Orange, New Jersey.

By notice of motion returnable on July 18, 1986, the Company, certain of the Company's subsidiaries and SLC moved for summary judgment dismissing plaintiffs' claims based upon the continued lack of a factual nexus between their activities and the presence of radon in plaintiffs' homes. The motion was also based upon the inapplicability of the legal theories advanced by plaintiffs to these matters. By order dated August 22, 1986, the Court granted in part and denied in part the motion for summary judgment, ruling that there remained factual issues preventing the dismissal of certain claims which could not be resolved without a full plenary hearing. The Court dismissed all causes of action based upon manufacture of a defective product, breach of an express or implied warranty, battery and trespass. By the same order, the Court also consolidated these matters for discovery and trial purposes.

By order dated January 16, 1987, the Court granted the motion filed by the Company, certain of the Company's subsidiaries and SLC for severance and separate trial of certain liability and damage issues. The Court directed that these matters be tried in three separate phases: (1) a Phase I trial relating solely to plaintiffs' claims that the allegedly contaminated soil around plaintiffs' homes originated at the former USRC site in Orange, New Jersey; (2) if plaintiffs are successful in the Phase I trial, a second trial would follow encompassing all remaining liability issues; and (3) if plaintiffs are successful again in the Phase II trial, a third trial would follow relating to plaintiffs' personal injury and property damage claims.

On November 19 and 20, 1987 the defendants' motion for partial summary judgment regarding the absence of contaminated soil originating from the Orange site of the former USRC on plaintiffs' property was argued before the Superior Court of New Jersey, Law Division, Essex County. By letter opinion dated January 29, 1988, as supplemented by Judge Yanoff's letter of February 4, 1988, the Court granted-in-part and denied-in-part defendants' application. The Court adjudicated as a fact that there is no contaminated fill originating from the Orange site on six of the properties claiming to be contaminated and directed a hearing, with further expert testimony, regarding the alleged presence of contaminated sub-surface material on 14 properties as well as 30 remaining properties where certain bore hole sampling results were relied upon. On March 18, 1988, the Court denied plaintiffs' request for a rehearing on defendants' motion, as well as plaintiffs' request for leave to perform additional bore hole sampling and analysis to oppose defendants' application. Following a lengthy hearing in April and May, 1989, the court, by letter opinion dated July 12, 1989, determined such testimony to be inadmissible.

By notice of motion dated September 15, 1989 defendants renewed their motion for partial summary judgment adjudicating as a fact that there is not contaminated fill originating from the former United States Radium Corporation's former property in Orange on 18 plaintiff owned or occupied properties. Defendants also moved for the dismissal of all property damage and consequential damage claims of 22 plaintiffs, based on the absence of contaminated fill on certain properties. Both applications remain pending before the court.

Based upon the current state of the law and the absence of evidence indicating that the activities of the Company or its subsidiaries are in any way related to the alleged presence of radon in and around plaintiffs' homes, there exist numerous defenses going to the merits in these actions.

As in the T & E Industries and Zwain matters, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of rights.

At this time neither counsel nor management can predict the outcome of the litigation.

As in the matters identified in (a), (b) and (c) above, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of rights (see Item (e)).

(d) U.S. Environmental Protection Agency Proceedings.

The U.S. Environmental Protection Agency ("EPA") has included the Orange, New Jersey site and the Montclair, Glen Ridge and West Orange sites on the national priorities list of the Comprehensive Environmental Response Compensation Liability Act of 1980, 42USC9601 et seq. and has notified the Company that it may be a potentially responsible party under that Act. The Company has provided requested information to the EPA. In view of the decision of Judge Wolin of the U.S. Federal District Court declaring SLC a liable party under CERCLA for the remediation and cleanup for the Orange site, the EPA recently finalized a Work Plan for completion of a Remedial Investigation and Feasibility Study RI/FS for cleanup of the Orange, New Jersey site. The RI/FS is scheduled to begin within the next several months. The RI/FS and supplemental RI/FS have been completed by EPA for the Glen Ridge, Montclair and West Orange sites. Recently, the Record of Decision ROD selecting the remedy for the sites was issued by EPA. Remedial work is scheduled to begin within the next several months.

Defendants agreed to erect a security fence around the Orange site. An Administrative Consent Order embodying this agreement was negotiated with EPA and the fence was recently completed. Four of the same five primary insurance carriers of the Company and SLC have assumed costs associated with the construction of the security fence.

At this time neither outside legal counsel nor management can predict the outcome of this matter.

The same five primary insurance carriers of the Company and SLC have assumed the bulk and possibly all of the costs associated with construction of the aforesaid security fence, depending upon the ultimate costs incurred (see Item (e)).

(e) 1985 Defense Agreement.

The Company is party to a Defense Agreement executed in 1985 with certain primary insurers under which such insurers are providing certain defense costs on behalf of their insureds. All of the insurance companies are participating in the 1985 Defense Agreement under "reservation of right" to disclaim the Agreement, deny coverage on the underlying claims and attempt to recover their respective costs to date. During 1989, certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers not party to the 1985 Defense Agreement have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

(f) Proceedings Against Certain Insurers.

During 1984 the Company notified its insurance carriers as to the pendency of certain of the above described actions and requested that such carriers defend and indemnify the Company as a named insured under various primary insurance policies as well as excess coverage or umbrella policies. All such carriers answered denying liability and denying any obligation to defend the Company against the claims asserted. Thereupon on August 20, 1984 the Company commenced an action in Superior Court of New Jersey, Essex County, naming as defendants all of the Company primary and excess coverage insurers and seeking judicial determination as to such carriers' duty to defend and to indemnify the Company and its subsidiaries and seeking reimbursement of costs expended by the Company for its defense, assumption of such defense on an ongoing basis, damages for wrongful declination to defend and punitive damages and counsel fees for willful failure to defend and indemnify the Company in each of the foregoing actions.

In September 1985, five primary insurance carriers of the Company and SLC assumed the defense of the Company and certain of its subsidiaries alleged to be successors in certain of the underlying actions described above, while reserving their right to disclaim liability. As a result of that Agreement, this action had, until recently, been stayed except with respect to applications by plaintiffs to require other primary insurance carriers not party to the Defense Agreement to provide for a defense and indemnification of the Company, certain of the Company's subsidiaries and SLC. By case management order dated March 21, 1989, the case has been re-activated to the extent that discovery will be taken concerning the existence, placement, negotiation and terms of insurance contracts potentially applicable to the underlying matters referred to in the Amended Complaint. The status of discovery between the parties will be discussed at the next case management conference scheduled on May 11, 1990.

While there can of course be no assurance as to the outcome of this action the Company has been advised that it has meritorious claims to support its actions for defense and indemnification.

Because of the uncertainties associated with the litigation described in (a) through (d) above, the liability of the Company and its subsidiaries alleged to be corporate successors to the former USRC cannot reasonably be estimated at this time, nor can an estimate of any ultimate liability or any insurance proceeds be made with any degree of certainty. Therefore, no such liability has been recorded in the financial statements.

(g) U.S. Nuclear Regulatory Commission Proceeding.

During the first quarter of 1989 the Company received from the U.S. Nuclear Regulatory Commission ("NRC") an order dated March 16, 1989 modifying certain operating licenses of SLC and demanding information respecting the Bloomsburg, Pennsylvania site of SLC. The order, which alleges in part that the Company is liable as a "corporate successor" of

SLC, requires certain activities including the preparation and implementation of a plan for site characterization and decontamination of the Bloomsburg facility, and makes demand for certain information. On June 2, 1989, a Joint Characterization Plan prepared by the Company's consultant was submitted in response to the March 16, 1989 Order. That plan was rejected by the NRC Staff on June 16, 1989. An alternative plan was submitted in August 1989.

On August 21, 1989, the Staff issued a second immediately effective order requiring the named parties, including the Company, to establish a one million dollar trust fund to finance a broad plan to characterize the extent of contamination at the Bloomsburg site. The Company requested a hearing before the Atomic Safety and Licensing Board (the "Licensing Board") with respect to both the March and August orders. In addition, the Company filed a petition for Review before the United States Court of Appeal for the District of Columbia Circuit. By orders dated November 22, 1989 and December 1, 1989, the Licensing Board issued a stay of the March and August orders with respect to the Company. By order dated July 26, 1989, the District of Columbia Circuits stayed further action in that proceeding pending further action by the NRC on the August 16, 1989 order.

By order dated February 8, 1990, the Licensing Board reconsidered and modified the stay of the March and August Orders, and required the Company to make contributions to an escrow fund pursuant to the August 21, 1989 order. The Atomic Safety and Licensing Appeal Board head oral argument on the issue of reconsideration and modification of the stay on March 6, 1990. The Appeal Board has not yet issued a decision on the imposition of a stay. On March 8, 1990, the Appeal Board issued a stay of the February 8, 1990 order requiring the Company and the Staff to negotiate the terms of a security interest in lieu of cash payments into an escrow account. Those negotiations have not been completed. A hearing on the issues raised by the March and August orders is currently scheduled for June 1990 before the Licensing Board.

In view of the uncertainty of the proceeding, management and outside legal counsel are unable to express any judgment as to the outcome of this dispute.

Summary.

The defense costs of the above litigation and contingencies have been and are expected to continue to be material. If the Company is not successful in its pursuit of additional financial assistance from the insurance companies, it is uncertain whether current operations will generate sufficient working capital to enable the Company to continue its legal defense. Accordingly, the Company could be required to seek protection from its creditors under the federal bankruptcy code. The financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USR INDUSTRIES, INC.

Date: May 14, 1990

By: /s/ STEPHEN C. MILLER
Stephen C. Miller
Treasurer
(Principal Accounting Officer)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1990

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 1-8040

USR INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2303184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
550 Post Oak Boulevard, Suite 545, Houston, Texas	77027
(Address of principal executive offices)	(Zip Code)

(713) 622-9171
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES XXX NO ______

As of November 1, 1990 the Registrant had outstanding 994,655 shares of common stock, par value $1.00 per share, which is the Registrant's only class of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

USR INDUSTRIES, INC.

Consolidated Balance Sheets

ASSETS	September 30, 1990 (Unaudited)	December 31, 1989
Current assets:		
Cash and cash equivalents	$ 13,999	65,864
Accounts receivable	455,520	293,717
Inventories	15,460	22,550
Notes receivable-current portion	15,952	14,944
Common stock held for sale-Golden Oil Company	-	122,269
Prepaid expenses and other	19,839	106,092
Total current assets	520,770	625,436
Investment in Partnership	255,214	289,258
Notes receivable	432,603	453,948
Property, plant and equipment, at cost	1,721,903	1,716,716
Less accumulated depreciation	(1,397,766)	(1,332,433)
	324,137	384,283
Other assets, net	63,482	63,482
	$ 1,596,206	1,816,407

- Continued -

USR INDUSTRIES, INC.

Consolidated Balance Sheets (Continued)

	September 30, 1990 (Unaudited)	December 31, 1989
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 43,572	179,196
Accounts payable	416,552	380,225
Accrued expenses	172,223	137,435
Total current liabilities	632,347	696,856
Other long-term liabilities	-	17,500
Long-term obligation under capital lease	60,637	61,277
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $1; 3,500,000 shares authorized; issued and outstanding 994,655 shares at September 30, 1990 and December 31, 1989	994,655	994,655
Additional paid-in capital	365,461	365,461
Accumulated deficit	(456,894)	(319,342)
Total stockholders' equity	903,222	1,040,774
	$ 1,596,206	1,816,407

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 1990	Three Months Ended September 30, 1989
Revenues:		
Net sales	$ 302,111	256,699
Rental income	23,310	23,296
Interest income	12,417	15,562
Other income	656	4,603
Total revenues	338,494	300,160
Costs and expenses:		
Cost of sales	136,823	130,638
Selling, general and administration expenses	195,303	312,796
Depreciation and amortization	21,444	24,763
Interest expense	3,727	6,172
Total costs and expenses	357,297	474,369
Equity in net loss of Partnership	(13,337)	(1,498)
Equity in net loss of Golden Oil Company	-	(51,275)
Net earnings (loss)	$ (32,140)	(226,982)
Net earnings (loss) per common share	$ (.03)	(.23)
Weighted average number of common shares outstanding	994,655	994,655

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Operations
(Unaudited)

	Nine Months Ended September 30,	
	1990	1989
Revenues:		
Net sales	$ 899,177	723,160
Rental income	69,919	69,877
Interest income	37,664	46,154
Other income	4,590	11,735
Total revenues	1,011,350	850,926
Costs and expenses:		
Cost of sales	434,013	331,607
Selling, general and administration expenses	597,247	685,027
Depreciation and amortization	65,333	63,563
Interest expense	13,751	20,537
Total costs and expenses	1,110,344	1,100,734
Equity in net loss of Partnership	(38,558)	(29,067)
Equity in net loss of Golden Oil Company	-	(171,863)
Net earnings (loss)	$ (137,552)	(450,738)
Net earnings (loss) per common share	$ (.14)	(.45)
Weighted average number of common shares outstanding	994,655	994,655

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended September 30, 1990	Three Months Ended September 30, 1989
Cash flows from operating activities:		
Net earnings (loss)	$ (32,140)	(226,982)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,444	24,763
Accretion of discount on notes receivable	(2,052)	(4,019)
Equity in net loss of Partnership	13,337	1,498
Equity in net loss of Golden Oil	-	51,275
Changes in assets and liabilities net of effects from rescission of MultiMetals and the exclusion of Partnership in the consolidation:		
Increase (decrease) in other long-term liabilities	(17,900)	200
(Increase) decrease in accounts receivable	(45,621)	(41,712)
(Increase) decrease in inventories	(154)	8,575
(Increase) decrease in prepaid expenses and other	10,823	18,922
Increase (decrease) in accounts payable	(33,807)	239,698
Increase (decrease) in accrued expenses	46,920	(39,024)
Net cash provided by (used in) operating activities	(39,150)	33,194
Cash flows from investing activities:		
Proceeds from sale of common stock of Golden Oil	122,269	(26)
Principal receipts of note receivable	4,947	4,572
Additions to property, plant and equipment	(702)	(17,702)
Decrease in advances to Partnership	-	11,200
Net cash provided by (used in) investing activities	126,514	(1,956)

- Continued -

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows (Continued)
(Unaudited)

	Three Months Ended September 30,	
	1990	1989
Cash flows from financing activities:		
Payments of long-term lease obligations	$ (217)	(202)
Payments on notes payable	(108,455)	(9,501)
Net cash provided by (used in) financing activities	(108,672)	(9,703)
Net increase (decrease) in cash and cash equivalents	(21,308)	21,535
Cash and cash equivalents at beginning of period	35,307	33,781
Cash and cash equivalents at end of period	$ 13,999	55,316

Supplemental Schedule of Noncash Investing and Financing Activities:

The Company ceased consolidating the assets, liabilities and operating results of the Partnership during 1989 and commenced accounting for its investment using the equity method.

In lieu of cash payments, during July 1989 the Company settled certain legal expenses totaling $300,000 and paid $45,000 of other expenses by exchanging 46% of its investment in the Partnership.

Cash paid for interest amounted to $3,727 and $6,172 for the three months ended September 30, 1990 and 1989, respectively.

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 1990	1989
Cash flows from operating activities:		
Net earnings (loss)	$ (137,552)	(450,738)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65,333	63,563
Accretion of discount on notes receivable	(6,157)	(12,340)
Equity in net loss of Partnership	38,558	29,067
Equity in net loss of Golden Oil	-	171,863
Changes in assets and liabilities net of effects from rescission of MultiMetals and the exclusion of Partnership in the consolidation:		
Increase (decrease) in other long-term liabilities	(17,500)	600
(Increase) decrease in accounts receivable	(161,803)	(55,701)
(Increase) decrease in inventories	7,090	7,816
(Increase) decrease in prepaid expenses and other	86,253	20,604
Increase (decrease) in accounts payable	36,327	280,970
Increase (decrease) in accrued expenses	34,788	(19,616)
Net cash provided by (used in) operating activities	(54,663)	36,088
Cash flows from investing activities:		
Proceeds from sale of common stock of Golden Oil	122,269	85,148
Principal receipts of note receivable	26,494	9,271
Additions to property, plant and equipment	(5,187)	(17,702)
Increase in advances to Partnership	(4,514)	(44,151)
Cash acquired through rescission of MultiMetals	-	841
Cash surrendered through deconsolidation of the Partnership	-	(636)
Net cash provided by (used in) investing activities	139,062	32,771

- Continued -

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows (Continued)
(Unaudited)

	Nine Months Ended September 30, 1990	1989
Cash flows from financing activities:		
Payments of long-term lease obligations	$ (640)	(595)
Payments on notes payable	(135,624)	(27,002)
Net cash provided by (used in) financing activities	(136,264)	(27,597)
Net increase (decrease) in cash and cash equivalents	(51,865)	41,262
Cash and cash equivalents at beginning of period	65,864	14,054
Cash and cash equivalents at end of period	$ 13,999	55,316

Supplemental Schedule of Noncash Investing and Financing Activities:

The Company ceased consolidating the assets, liabilities and operating results of the Partnership during 1989 and commenced accounting for its investment using the equity method.

In lieu of cash payments, during July 1989 the Company settled certain legal expenses totaling $300,000 and paid $45,000 of other expenses by exchanging 46% of its investment in the Partnership.

On April 1, 1989, the Company reacquired the assets and assumed the liabilities of MultiMetals in exchange for the Company's note receivable.

During the nine months ended September 30, 1989, the Company paid accrued directors fees of $135,000 with shares of Golden Oil Common Stock owned by the Company.

Cash paid for interest amounted to $13,751 and $20,537 for the nine months ended September 30, 1990 and 1989, respectively.

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Principles

For a summary of significant accounting principles, see Notes to Consolidated Financial Statements and Note 1 thereof contained in the Annual Report on Form 10-K of USR Industries, Inc. (the "Company") for the year ended December 31, 1989, which is incorporated herein by reference. The Company follows the same accounting policies during interim periods as it does for annual reporting purposes.

The accompanying consolidated financial statements are condensed and unaudited. In the opinion of management, the unaudited interim financial statements furnished reflect all adjustments of a normal recurring nature which are necessary to a fair statement of the results for the interim periods presented.

(2) Ownership of Golden Oil Company Common Stock

As more fully described in the Notes to Consolidated Financial Statements and Note 2 thereof contained in the Annual Report on Form 10-K of the Company, the accounting for the Company's investment in Golden Oil Company ("Golden Oil") Common Stock was changed to the cost method during 1989.

During 1990, the Company initiated an offering to its stockholders of rights to purchase up to a total of 489,077 shares of its ownership position of Golden Oil Common Stock. Under terms of the offering to its stockholders of rights to purchase up to a total of 489,077 shares of its ownership position of Golden Oil Common Stock. Under terms of the offering, all stockholders of the Company were entitled to participate in the offer on a pro rata basis, and to subscribe for Golden Oil Company Common Stock in proportion to their ownership of Common Stock of the Company. On March 5, 1990, Golden Oil filed with the Securities and Exchange Commission a Registration Statement on Form S-3 to register the remaining 489,077 shares of Golden Oil Common Stock owned by the Company, which were pledged by the Company to a commercial bank as collateral for a note payable. Such shares were offered to stockholders of the Company on the record date of February 28, 1990 at a price of $.25 per share. The proceeds from the first and second rounds of the offering which totaled $122,269 were received by the Company and all of such shares offered were subscribed. The proceeds were used primarily to make principal reductions of $108,455 on notes payable during the current quarter.

(3) Investment in Partnership

The Company's ownership in Houston-Phoenix Co., Ltd. ("Partnership") constituted approximately 35% at December 31, 1989 and for the year 1989 the Company's financial statements reflected its investment in the Partnership using the equity method of accounting. For further explanation, see Notes to Consolidated Financial Statements and Note 3 thereof contained in the Annual Report on Form 10-K of the Company. As a result of the accounting method, the financial statements for the nine months ended September 30, 1989 have been restated to present that period using the equity method.

(4) MultiMetal Products Corporation

From April 1, 1989 the Company has included in its financial statements the results of operations of MultiMetal Products Corporation ("MultiMetals"), a subsidiary of USR Metals, Inc. Pursuant to that certain 1985 Assets Purchase Agreement (the "Agreement") as approved and ratified by Company stockholders at a Meeting held during March 7, 1986, certain net assets of the Company's metal fabrication line in Bloomsburg, Pennsylvania were purchased, subject to rescission under certain conditions, by the purchasing corporation. The asset purchase transaction was subject to conditions subsequent, including the right of the purchasing corporation to rescind the transaction and to repay the purchase price in full in the event that the purchasing corporation was advised that there was any question whether the assets were purchased "free and clear" of claims against the Company or its subsidiaries. Subsequently, the purchasing corporation was advised that, in view of the assertions against the Company in the ongoing environmental litigation described more particularly in the Notes to Consolidated Financial Statements and Note 10 thereof included in the Annual Report on Form 10-K and in Part II, Item 1 included herewith, claims were being asserted that the net assets purchased were subject to claims against the Company or its subsidiaries. Accordingly, pursuant to the Agreement, the purchasing corporation notified the Company of its election to rescind the transaction effective April 1, 1989. Accordingly, the Company's financial statements include results of operations of MultiMetals on a fully consolidated basis.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

To date the Company has funded its internal cash needs from operations; asset sales; and bank borrowings from time to time. With the sales of the Company's manufacturing assets and its Plan of Asset Redeployment having been substantially completed, the Company expects to look to further sales of assets to meet its liquidity needs, if such are not met from current operations. However, there can be no assurance that the proceeds from such transactions would be sufficient to meet the Company's future expenses, particularly its legal expense.

If in the future the Company is unable to meet its obligations as they fall due, the Company could be required to seek protection from creditors under the federal bankruptcy code.

On a consolidated reporting basis at September 30, 1990, the Company's working capital deficit was $111,577 and the ratio of current assets to current liabilities was 0.8 to 1.0 versus a working capital deficit of $71,420 and current ratio of 0.9 to 1.0 at December 31, 1989.

The Company has been required to bear very substantial administrative and legal expenses for certain environmental litigation. For further discussion as to environmental regulations and litigation, see Notes to Consolidated Financial Statements and Note 10 thereof contained in the Company's Annual Report on Form 10-K and Part II, Item 1 of this Quarterly Report on Form 10-Q. Under a Defense Agreement dated September 30, 1985 to which the Company, Safety Light Corporation and five primary insurance carriers are parties, certain of the Company's ongoing legal defense costs in the environmental litigation have been assumed by such insurance carriers. However, the Defense Agreement does not fully cover either the direct or indirect costs to the Company of the litigation. Further, it should be noted that the insurance carriers are defending "under reservation" of their absolute rights to deny all liability on the underlying claims and that certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers not party to the 1985 Defense Agreement have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

The Company is subject to additional environmental claims which are not covered by any defense agreement with insurers, although negotiations for the possible participation by certain insurance carriers are in progress. Of course there can be no assurance that such discussions will result in any agreement as to defense costs. In the event that no agreement is reached with insurers with respect to such defense costs, the Company will be required to provide for additional legal expenses. Potential sources of liquidity for the Company include the sale of notes receivable and the sale of all or part of the Company's partnership interest in the commercial office building in Houston, Texas.

To gain liquidity during 1990, the Company initiated an offering to its stockholders of rights to purchase up to a total of 489,077 shares of its ownership position of Golden Oil Common Stock. Under terms of the offering, all stockholders of the Company were entitled to participate in the offer on a pro rata basis, and to subscribe for Golden Oil Company Common Stock in proportion to their ownership of Common Stock of the Company. On March 5, 1990, Golden Oil filed with the Securities and Exchange Commission a Registration Statement on Form S-3 to register the remaining 489,077 shares of Golden Oil Common Stock owned by the Company, which were pledged by the Company to a commercial bank as collateral for a note payable. Such shares were offered to stockholders of the Company on the record date of February 28, 1990 at a price of $.25 per share. The proceeds from the first and second rounds of the offering which totaled $122,269 were received by the Company and all of such shares offered were subscribed. The proceeds were used primarily to make principal reductions of $108,455 on notes payable during the current quarter.

The Company is of the opinion that if, in the future, there is any material adverse development in the environmental litigation, the Company may be required to make additional asset sales as above or to consider other alternatives, including filing for protection from creditors under the federal bankruptcy code.

<u>Results of Operations</u>

<u>Comparison of the Three Months Ended September 30, 1990 and 1989</u>

Net sales from manufacturing totaled $302,111 for the three months ended September 30, 1990 compared to net sales of $256,699 for the corresponding period in 1989. The increase is primarily a result of increases in unit sales volumes to certain customers. Rental income was $23,310 for the three months ended September 30, 1990 which is consistent with rental income of $23,296 for the corresponding period in 1989. Interest income totaled $12,417 for the three months ended September 30, 1990 compared to $15,562 for the year earlier three month period. Interest income primarily reflects the accretion of the discount and interest attributable to notes receivable from certain net asset sales.

Cost of sales for the quarter ended September 30, 1990 was $136,823 compared to $130,638 for the year earlier period. The increase of $6,185 is due primarily to increases in net sales as above. Selling, general and administrative expenses for the three months ended September 30, 1990 decreased to $195,303 compared to $312,796 for the corresponding period in 1989. The net decrease of $117,493 primarily reflects the effects of reduced legal and professional fees during the current period relating to the environmental litigation as more fully described in Part II, Item 1 of this Quarterly Report on Form 10-Q. Depreciation and amortization for the three months ended September 30, 1990 amounted to $21,444 which is consistent with depreciation and amortization of $24,763 for the year earlier period. Interest expense for the three months ended September 30, 1990 decreased to $3,727 compared to $6,172 for the year earlier period primarily as a result of a lower principal note balance.

The equity in net loss of the Partnership totaled $13,337 for the three months ended September 30, 1990 compared to $1,498 for the corresponding year earlier period and represents the Company's pro rata equity share of the Partnership's net loss for the respective periods. The increase of $11,839 is primarily attributable to the writeoff of tenant buildout and deferred lease commissions related to a defaulted lease in the Partnership's office building. As a result of the Company changing its method of accounting for its investment in shares of Golden Oil Common Stock to the cost method, the Company reported no equity in net loss of Golden Oil as compared to $51,275 for the three months ended September 30, 1989.

As a result of the foregoing, for the three months ended September 30, 1990 the Company reported a net loss of $32,140 compared to a net loss of $226,982 for the comparable period in 1989.

<u>Comparison of the Nine Months Ended September 30, 1990 and 1989</u>

Net sales from manufacturing totaled $899,177 for the nine months ended September 30, 1990 compared to $723,160 for the corresponding period in 1989. The increase of $176,017 is primarily attributable to the consolidation of MultiMetals as of April 1, 1989 plus marginal increases in unit sales volumes to certain customers. Rental income was $69,919 for the nine months ended September 30, 1990 which is consistent with rental income of $69,877 for the corresponding period in 1989. Interest income totaled $37,664 for the nine months ended September 30, 1990 compared to $46,154 for the year earlier nine month period. Interest income primarily reflects the accretion of the discount and interest attributable to notes receivable from certain net asset sales.

Cost of sales for the nine months ended September 30, 1990 was $434,013 compared to $331,607 for the year earlier period. The increase of $102,406 is due primarily to corresponding increase in net sales offset by marginal increases in labor, materials and production supplies. Selling, general and administrative expenses for the nine months ended September 30, 1990 decreased to $597,247 compared to $685,027 for the corresponding period in 1989. The net decrease of $87,780 reflects reduced legal and professional fees in the current year relating to the environmental litigation as more fully described in Part II, Item 1, of this Quarterly Report on Form 10-Q offset by the effects of the consolidation of the results of operations of MultiMetals as of April 1, 1989. Depreciation and amortization for the nine months ended September 30, 1990 totaled $65,333 which is relatively consistent with depreciation and amortization for the year earlier period. Interest expense for the nine months ended September 30, 1990 decreased to $13,751 from $20,537 for the year earlier period primarily as a result of a lower principal note balance.

The equity in net loss of the Partnership totaled $38,558 for the nine months ended September 30, 1990 compared to $29,067 for the corresponding year earlier period and represents the Company's pro rata equity share of the Partnership's net loss for the respective periods. The increase of $18,491 is primarily attributable to an increase in the Partnership's net loss for the current period which resulted from a writeoff of tenant buildout and deferred lease commissions which related to a defaulted lease and from an increase in general repairs and maintenance to the Partnership's office building offset by the decrease in the Company's ownership interest in the Partnership. As a result of the Company changing its method of accounting for its investment in shares of Golden Oil Common Stock to the cost method, the Company reported no equity in net loss of Golden Oil as compared to $171,863 for the nine months ended September 30, 1989.

As a result of the foregoing, for the nine months ended September 30, 1990 the Company reported a net loss of $137,552 compared to a net loss of $450,738 for the comparable nine months in 1989.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

(a) On April 2, 1981 an action was commenced in the Superior Court of New Jersey, Essex County, by T & E Industries, Inc. naming USRC, the corporate predecessor to Safety Light Corporation ("SLC"), as a defendant and alleging, inter alia, that property in Orange, New Jersey owned by the plaintiff suffers from contamination from certain radioactive materials allegedly deposited thereon by USRC during prior years. The litigation arises from operations conducted by USRC at the site during the years 1917 to 1926. Subsequent to the commencement of this action the complaint was amended to include the Company and certain of its subsidiaries alleged to be corporate successors to the former USRC. The plaintiff seeks to compel remedial action as to alleged improper condition of the site and damages in unspecified amounts in compensation for injury to its property and business as well as punitive damages.

During December 1983 plaintiffs amended such complaint to include as additional defendants GAF Corporation, Mitsubishi Chemical Industries, Inc. ("MCI") and MCI's subsidiary in New Jersey, USR Optonix, Inc., which was alleged to be a corporate successor to the former USRC. The additional defendants were claimed to be liable under the product line exception to the general theory that a third party purchaser of assets is not liable as a successor. The additional defendants answered denying liability and demanded that the previously named defendants defend the action on their behalf and indemnify them against costs and any potential liability in connection therewith. In 1984 the additional defendants were successful on a motion for summary judgment against the plaintiffs and, accordingly, the claims of the additional defendants against the Company and its subsidiaries have been dismissed.

In early 1985 the Company prevailed against a motion for summary judgment by the plaintiff seeking judgment that the Company is the successor to USRC.

In September 1985 five primary insurance carriers of the Company and SLC assumed the defense of the Company, certain of the Company's subsidiaries and SLC, pursuant to a Defense Agreement. While the insurance carriers are assisting in the defense of certain actions their defense is made subject to an absolute reservation of rights to deny liability on any of the underlying claims.

On February 3, 1986, this matter was tried before a jury in front of the Honorable Stanley G. Bedford. This trial was only with respect to the liability, if any, of SLC. Prior to trial, the Court bifurcated the count asserting liability against the Company and certain of the Company's subsidiaries and on November 18, 1985 ordered that all claims against the Company would be severed and separately tried, if at all, in the event plaintiff obtains a judgment against SLC.

During trial the Court granted a directed verdict in favor of SLC dismissing all of plaintiff's strict liability claims, all negligence based claims relating to the conduct of USRC between 1917-1926, and all claims based upon fraud, recklessness and intentional conduct. The only remaining claims against SLC were an alleged negligent failure to warn when the premises were sold in 1943 and a negligence theory which allegedly placed upon USRC a continuing duty to warn prospective purchasers up through the time plaintiff purchased the property in 1974, thirty-one years later. The Court also reduced plaintiff's damage claim from $2.8 million to under $400,000.

On March 11, 1986, the jury returned a verdict, finding that USRC was not negligent in 1943 when it failed to warn its immediate purchaser that the presence of radioactive tailings on the premises constituted a potential risk to health or property. The jury did find that USRC was negligent for not warning plaintiff before its purchase of the property thirty-one years later, in 1974, that the same potential risk to health or property existed on the premises. Damages were assessed against SLC in the amount of $372,100.62.

On April 25, 1986, Judge Bedford granted SLC's motion for judgment in its favor notwithstanding the jury's verdict of March 11, 1986. The Court also denied plaintiff's application for indemnification by SLC of all cleanup costs assessed against plaintiff as a result of any future government efforts to decontaminate the property. Final judgment was thereafter entered in favor of SLC, the Company and certain of the Company's subsidiaries on May 29, 1986 and awarded on June 20, 1986, dismissing all of plaintiff's claims in their entirety.

On July 9, 1986, plaintiff filed a Notice of Appeal from the June 20, 1986 judgment. On August 11, 1988 the Appellate Division reversed the lower court's decision, entered judgment in favor of plaintiff based on plaintiff's absolute liability claim and remanded the case to the trial court for a new trial on the issue of damages. By order dated September 19, 1988 Safety Light's motion for re-consideration was denied by the Appellate Division. A petition for certification to the Supreme Court of New Jersey has granted and oral arguments were heard on March 12, 1990 pending before that Court.

Since plaintiff's claims against the Company and certain of the Company's subsidiary companies will only be litigated in the event plaintiff is ultimately successful in its appeal against SLC, it is unclear at this time when, if at all, such claims will be tried. If a trial against the Company and certain of its subsidiaries does occur there remains to be resolved the outstanding issues of indemnification by SLC and crossclaims between it and the Company.

Claims also were made by T & E Industries in an action brought in the U.S. District Court for the District of New Jersey, allegedly pursuant to the Comprehensive Environmental Response, Compensation Liability Act of 1980 ("CERCLA") seeking a declaration that defendants are liable for all costs of cleanup and decontamination, consistent with the National Contingency Plan, of the site presently known as 422 Alden Street, Orange, New Jersey and seeking a judgment for "response costs" already incurred and injunctive relief for enforcing such remedy. Defendants made a motion to dismiss and plaintiffs made a cross-motion for partial summary judgment against SLC. The motions were heard on February 10, 1988. The Court, through Judge Wolin, found against the defendants' motion to dismiss and granted T & E's application that SLC is liable under CERCLA for all necessary costs of response incurred by T & E which are consistent with the National Contingency Plan. The Court, however, limited T & E's alleged damages and determined, inter alia, that T & E's claim for attorney's fees are not recoverable response costs under CERCLA.

At this time, neither counsel nor management can predict the outcome of the litigation.

(b) On December 6, 1982 an action was commenced in the Superior Court of New Jersey, Essex County, by Leslie Zwain et al. naming as defendants SLC, the Company and certain of the Company's subsidiaries alleged to be corporate successors to the former USRC and claiming, inter alia, that because of alleged contamination of the site in Orange, New Jersey, described in (a) above, the plaintiffs have suffered business interruption, diminution of property values, mental anguish and loss of consortium. The plaintiffs seek compensatory and punitive damages in amounts to be established at trial.

On August 5, 1985, the Court dismissed plaintiffs' personal injury claims based upon plaintiffs' failure to institute legal action within the applicable statute of limitations period. On February 25, 1986 the Appellate Court reversed this dismissal and remanded the matter for further proceedings. Defendants' application for leave to appeal this issue to the New Jersey Supreme Court was subsequently denied.

As in the T & E Industries litigation, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of their rights to deny liability on the underlying claims.

(c) During 1984 and 1985 SLC, the Company and its two manufacturing subsidiaries, USR Lighting, Inc. and USR Metals, Inc., were named as defendants in six actions commenced in Superior Court, Essex, County, New Jersey. (A similar action has recently been filed by Deborah Shanks, et al. which contains generally the same issues.) These actions were brought on behalf of certain residents in the Townships of Montclair, Glen Ridge and West Orange, New Jersey and claim, inter alia, damages to land and personal injury in amounts to be proved at trial as well as punitive damages. Such alleged damages are claimed to have been caused by actual or threatened exposure of the property and persons of plaintiffs to levels of radon gas, a radioactive decay product of uranium or radium bearing ores, at levels above background levels naturally occurring and in excess of permissible levels established by the government for members of the public. Plaintiffs allege that such radon gas is a product of landfill obtained from the former USRC site in Orange, New Jersey.

By notice of motion returnable on July 18, 1986, the Company, certain of the Company's subsidiaries and SLC moved for summary judgment dismissing plaintiffs' claims based upon the continued lack of a factual nexus between their activities and the presence of radon in plaintiffs' homes. The motion was also based upon the inapplicability of the legal theories advanced by plaintiffs to these matters. By order dated August 22, 1986, the Court granted in part and denied in part the motion for summary judgment, ruling that there remained factual issues preventing the dismissal of certain claims which could not be resolved without a full plenary hearing. The Court dismissed all causes of action based upon manufacture of a defective product, breach of an express or implied warranty, battery and trespass. By the same order, the Court also consolidated these matters for discovery and trial purposes.

By order dated January 16, 1987, the Court granted the motion filed by the Company, certain of the Company's subsidiaries and SLC for severance and separate trial of certain liability and damage issues. The Court directed that these matters be tried in three separate phases: (1) a Phase I trial relating solely to plaintiffs' claims that the allegedly contaminated soil around plaintiffs' homes originated at the former USRC site in Orange, New Jersey; (2) if plaintiffs are successful in the Phase I trial, a second trial would follow encompassing all remaining liability issues; and (3) if plaintiffs are successful again in the Phase II trial, a third trial would follow relating to plaintiffs' personal injury and property damage claims.

On November 19 and 20, 1987 the defendants' motion for partial summary judgment regarding the absence of contaminated soil originating from the Orange site of the former USRC on plaintiffs' property was argued before the Superior Court of New Jersey, Law Division, Essex County. By letter opinion dated January 29, 1988, as supplemented by Judge Yanoff's letter of February 4, 1988, the Court granted-in-part and denied-in-part defendants' application. The Court adjudicated as a fact that there is no contaminated fill originating from the Orange site on six of the properties claiming to be contaminated and directed a hearing, with further expert testimony, regarding the alleged presence of contaminated sub-surface material on 14 properties as well as 30 remaining properties where certain bore hole sampling results were relied upon. On March 18, 1988, the Court denied plaintiffs' request for a rehearing on defendants' motion, as well as plaintiffs' request for leave to perform additional bore hole sampling and analysis to oppose defendants' application. Following a lengthy hearing in April and May, 1989, the court, by letter opinion dated July 12, 1989, determined such testimony to be inadmissible.

By notice of motion dated September 15, 1989 defendants renewed their motion for partial summary judgment adjudicating as a fact that there is not contaminated fill originating from the former United States Radium Corporation's former property in Orange on 18 plaintiff owned or occupied properties. Defendants also moved for the dismissal of all property damage and consequential damage claims of 22 plaintiffs, based on the absence of contaminated fill on certain properties. Both applications remain pending before the court.

Based upon the current state of the law and the absence of evidence indicating that the activities of the Company or its subsidiaries are in any way related to the alleged presence of radon in and around plaintiffs' homes, there exist numerous defenses going to the merits in these actions.

As in the T & E Industries and Zwain matters, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of rights.

At this time neither counsel nor management can predict the outcome of the litigation.

As in the matters identified in (a), (b) and (c) above, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of rights (see Item (e)).

(d) U.S. Environmental Protection Agency Proceedings.

The U.S. Environmental Protection Agency ("EPA") has included the Orange, New Jersey site and the Montclair, Glen Ridge and West Orange sites on the national priorities list of the Comprehensive Environmental Response Compensation Liability Act of 1980, 42USC9601 et seq. and has notified the Company that it may be a potentially responsible party under that Act. The Company has provided requested information to the EPA. In view of the decision of Judge Wolin of the U.S. Federal District Court declaring SLC a liable party under CERCLA for the remediation and cleanup for the Orange site, the EPA recently finalized a Work Plan for completion of a Remedial Investigation and Feasibility Study RI/FS for cleanup of the Orange, New Jersey site. The RI/FS is scheduled to begin within the next several months. The RI/FS and supplemental RI/FS have been completed by EPA for the Glen Ridge, Montclair and West Orange sites. Recently, the Record of Decision ROD selecting the remedy for the sites was issued by EPA. Remedial work is scheduled to begin within the next several months.

Defendants agreed to erect a security fence around the Orange site. An Administrative Consent Order embodying this agreement was negotiated with EPA and the fence was recently completed. Four of the same five primary insurance carriers of the Company and SLC have assumed costs associated with the construction of the security fence.

At this time neither outside legal counsel nor management can predict the outcome of this matter.

The same five primary insurance carriers of the Company and SLC have assumed the bulk and possibly all of the costs associated with construction of the aforesaid security fence, depending upon the ultimate costs incurred (see Item (e)).

(e) 1985 Defense Agreement.

The Company is party to a Defense Agreement executed in 1985 with certain primary insurers under which such insurers are providing certain defense costs on behalf of their insureds. All of the insurance companies are participating in the 1985 Defense Agreement under "reservation of right" to disclaim the Agreement, deny coverage on the underlying claims and attempt to recover their respective costs to date. During 1989, certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers not party to the 1985 Defense Agreement have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

(f) Proceedings Against Certain Insurers.

During 1984 the Company notified its insurance carriers as to the pendency of certain of the above described actions and requested that such carriers defend and indemnify the Company as a named insured under various primary insurance policies as well as excess coverage or umbrella policies. All such carriers answered denying liability and denying any obligation to defend the Company against the claims asserted. Thereupon on August 20, 1984 the Company commenced an action in Superior Court of New Jersey, Essex County, naming as defendants all of the Company primary and excess coverage insurers and seeking judicial determination as to such carriers' duty to defend and to indemnify the Company and its subsidiaries and seeking reimbursement of costs expended by the Company for its defense, assumption of such defense on an ongoing basis, damages for wrongful declination to defend and punitive damages and counsel fees for willful failure to defend and indemnify the Company in each of the foregoing actions.

In September 1985, five primary insurance carriers of the Company and SLC assumed the defense of the Company and certain of its subsidiaries alleged to be successors in certain of the underlying actions described above, while reserving their right to disclaim liability. As a result of that Agreement, this action had, until recently, been stayed except with respect to applications by plaintiffs to require other primary insurance carriers not party to the Defense Agreement to provide for a defense and indemnification of the Company, certain of the Company's subsidiaries and SLC. By case management order dated March 21, 1989, the case has been re-activated to the extent that discovery will be taken concerning the existence, placement, negotiation and terms of insurance contracts potentially applicable to the underlying matters referred to in the Amended Complaint. The status of discovery between the parties will be discussed at the next case management conference scheduled on May 11, 1990.

While there can of course be no assurance as to the outcome of this action the Company has been advised that it has meritorious claims to support its actions for defense and indemnification.

Because of the uncertainties associated with the litigation described in (a) through (d) above, the liability of the Company and its subsidiaries alleged to be corporate successors to the former USRC cannot reasonably be estimated at this time, nor can an estimate of any ultimate liability or any insurance proceeds be made with any degree of certainty. Therefore, no such liability has been recorded in the financial statements.

(g) <u>U.S. Nuclear Regulatory Commission Proceeding</u>.

During the first quarter of 1989 the Company received from the U.S. Nuclear Regulatory Commission ("NRC") an order dated March 16, 1989 modifying certain operating licenses of SLC and demanding information respecting the Bloomsburg, Pennsylvania site of SLC. The order, which alleges in part that the Company is liable as a "corporate successor" of SLC, requires certain activities including the preparation and implementation of a plan for site characterization and decontamination of the Bloomsburg facility, and makes demand for certain information. On June 2, 1989, a Joint Characterization Plan prepared by the Company's consultant was submitted in response to the March 16, 1989 Order. That plan was rejected by the NRC Staff on June 16, 1989. An alternative plan was submitted in August 1989.

On August 21, 1989, the Staff issued a second immediately effective order requiring the named parties, including the Company, to establish a one million dollar trust fund to finance a broad plan to characterize the extent of contamination at the Bloomsburg site. The Company requested a hearing before the Atomic Safety and Licensing Board (the "Licensing Board") with respect to both the March and August orders. In addition, the Company filed a petition for Review before the United States Court of Appeal for the District of Columbia Circuit. By orders dated November 22, 1989 and December 1, 1989, the Licensing Board issued a stay of the March and August orders with respect to the Company. By order dated July 26, 1989, the District of Columbia Circuits stayed further action in that proceeding pending further action by the NRC on the August 16, 1989 order.

By order dated February 8, 1990, the Licensing Board reconsidered and modified the stay of the March and August Orders, and required the Company to make contributions to an escrow fund pursuant to the August 21, 1989 order. The Atomic Safety and Licensing Appeal Board head oral argument on the issue of reconsideration and modification of the stay on March 6, 1990. The Appeal Board has not yet issued a decision on the imposition of a stay. On March 8, 1990, the Appeal Board issued a stay of the February 8, 1990 order requiring the Company and the Staff to negotiate the terms of a security interest in lieu of cash payments into an escrow account. Those negotiations have not been completed. A hearing on the issues raised by the March and August orders is currently scheduled for June 1990 before the Licensing Board.

In view of the uncertainty of the proceeding, management and outside legal counsel are unable to express any judgment as to the outcome of this dispute.

Summary.

The defense costs of the above litigation and contingencies have been and are expected to continue to be material. If the Company is not successful in its pursuit of additional financial assistance from the insurance companies, it is uncertain whether current operations will generate sufficient working capital to enable the Company to continue its legal defense. Accordingly, the Company could be required to seek protection from its creditors under the federal bankruptcy code. The financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USR INDUSTRIES, INC.

Date: November 13, 1990

By: ______________________________

Stephen C. Miller
Treasurer
(Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USR INDUSTRIES, INC.

Date: November 13, 1990

By: /s/ STEPHEN C. MILLER
Stephen C. Miller
Treasurer
(Principal Accounting Officer)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1989, or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ________________ to ________________.

Commission File No. 1-8040

USR INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-2303184 (I.R.S. Employer Identification No.)
550 Post Oak Boulevard, Suite 545, Houston, Texas (Address of principal executive offices)	77027 (Zip Code)

Registrant's telephone number, including area code: (713) 622-9171

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or for such shorter period that the Registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days. YES X NO ____

As of March 1, 1990, there were outstanding 994,655 shares of the Registrant's $1.00 Par Value Common Stock, and the aggregate market value held by non-affiliates was approximately $135,038.

Documents Incorporated by Reference

The information called for by Part III, Items 10, 11, 12 and 13 is incorporated herein by reference to the Registrant's definitive Proxy Statement to be filed in connection with the Registrant's 1990 Annual Meeting.

PART I

Item 1. Business.

GENERAL DEVELOPMENT OF BUSINESS

USR Industries, Inc. (herein the "Company") was established in Delaware in 1980 as a holding corporation to own diversified interests, primarily in the financial services, natural resources and real estate sectors. At the time of its formation, the Company's principal business lines were held through wholly owned subsidiary corporations into which were contributed divisional operations of the former United States Radium Corporation ("USRC"). In connection with the establishment of the Company, USRC was merged into a newly formed subsidiary of the Company and the respective assets and liabilities of former divisional operations of USRC were assumed by separate, wholly owned subsidiaries of the Company. Thereafter, to more closely reflect its business as primarily a manufacturer of safety lighting products, USRC changed its name to Safety Light Corporation ("SLC").

Since formation in 1980, the Company has pursued broadly defined corporate development objectives referred to herein as the Plan of Asset Redeployment (the "Plan"). Pursuant to the Plan, since 1980 the Company has gradually deployed assets towards sectors believed to offer improved long term growth potential. In 1982 the Company sold its SLC common stock to a group lead by SLC management personnel.

The Company's current operations consist primarily of the support and development of its ownership interests in real estate and of the specialty metals business of its consolidated subsidiary, USR Metals, Inc. Also, very significant management time and corporate resources are involved in the conduct of litigation affecting the Company. Such litigation is further described in Notes to Consolidated Financial Statements and Note 10 thereof.

The Company's remaining manufacturing operations generally are profitable before payment of expenses for legal fees and other costs related to the environmental and insurance litigation. However, serious and recently increased financial pressures on the Company have arisen because of the current need both to conduct its legal defense and simultaneously to pursue offensive claims against more than a dozen major insurance companies for determination of their duty to defend the Company and to provide insurance coverages. The current costs for such legal expenses together with the costs associated with the Company's voluntary undertakings for certain monitoring and remedial programs now substantially exceed the available cash flow generated by its operations.

Ultimately, if the Company is not successful in pursuing its claims for insurance coverage, the Company could be required to seek protection from its creditors under the federal bankruptcy code.

Plan of Asset Redeployment

The Plan was developed in response to severe negative trends in the economic climate and principal business operations which increasingly affected USRC during the 1970's. During those years, foreign competition against United States industries increased dramatically. The domestic

American automotive, watch and color television industries, which had been the primary customers of USRC for many years, all were severely damaged by foreign competition. Typically, the foreign companies enjoyed the political and financial support of their own governments, while similar support was not available to American companies.

As foreign companies increased their sales to American markets, hundreds of thousands of American jobs were lost, and America's industrial base was severely undercut or relocated to foreign locations. Leading American companies in what previously had been important domestic industries moved manufacturing facilities to foreign countries rather than expanding or even continuing production at home in the United States. Because of these trends, the American automotive and color television industries were severely damaged and the former American watch manufacturing industry was essentially destroyed. Markets in the very industries which had provided most of the sales volume of USRC became smaller and more intensely price competitive as foreign producers availed themselves of improved manufacturing techniques, their own government support, cheaper labor and improved worldwide air transport to deliver goods into America at highly competitive prices.

In view of the foregoing, by the mid 1970's it had become increasingly likely that the lines of business operation of the former USRC would not return to their earlier levels of activity or profitability. A more definitive trend was demarked when, in 1978, the former USRC was forced to sell the assets of a principal operating division its Medical Products Division to gain liquidity and meet debt payments. USRC sold the assets of its Medical Products Division to the GAF Corporation, a large chemical company headquartered in New Jersey. By this early disposition of USRC's former principal business lines, the earliest stages of a program of debt repayment and redeployment of assets into new business sectors was undertaken.

Upon its formation as a new holding corporation in 1980, the Company identified and looked primarily to financial services, natural resources and real estate sectors as offering improved long term growth potential. In the process of implementing its announced corporate strategy, the Company gradually moved away from the small manufacturing sector and sold or pruned its former manufacturing operations.

Through the decade of the 1980's, the Company moved towards gradual divestiture of operations in the manufacturing sector. One significant step to redeploy assets away from the manufacturing sector was the sale of certain net assets of USR Chemical Products, Inc. ("Chemicals") to Mitsubishi Chemical Industries Limited of Japan ("Mitsubishi"). Chemicals, at that time the Company's largest manufacturing subsidiary, found itself competing in worldwide markets against companies having vastly greater financial, technical and marketing resources. Through such sale, the Company deployed assets out of a cyclical and capital intensive business vulnerable to foreign competition from major foreign companies strongly supported by their own governments, particularly including Mitsubishi and Hoescht, the worldwide German concern.

During the many years since the Company began to diversify from the manufacturing sector, the Company has purchased stock in various other companies or partnerships in the three primary economic sectors originally identified under the Plan: financial services, natural resources and real estate. Below is a summary of transactions in each such sector.

__Financial Services__. During 1981 and early 1982, the Company established an ownership interest in the financial services and real estate sectors through purchase of common stock of Boothe Financial Corporation ("BFC"), a diversified real estate and financial services concern based in San Francisco, California. The Company's ownership of the stock of BFC was sold during late 1983 and 1984. The Company realized profits exceeding one million dollars on the sales.

__Real Estate__. The Company's corporate development strategy emphasized primarily the acquisition of income producing real estate deemed to have potential for long-term appreciation. In view of the Company's purchase of a partnership interest in commercial real estate during November 1987 and its limited financial resources, further purchase transactions can not be undertaken at this time.

During 1987, through a wholly owned subsidiary corporation, the Company purchased a partnership interest in a limited partnership which acquired a commercial office building located in Houston, Texas. The Company owns partnership interests with various limited partners. All interests in the partnership were purchased for the same price per unit of ownership. The building, which has total office space of approximately 54,000 net rentable square feet, currently is approximately ninety-two percent leased, and operating revenues are meeting operating costs and debt service requirements on a current basis. The Company's management believes in the long-term potential of the real estate sector and of the potential of the Houston market to recover from the depressive economic effects of the oil and gas industry collapse. However, due to the serious and recently increased financial pressures on the Company caused by its need to defend itself from claims in environmental litigation and simultaneously to pursue offensive legal actions against insurance carriers to determine coverage issues with respect to such environmental claims, during 1989 the Company found it necessary to settle certain legal and other expenses in exchange for 46% of its partnership interest.

__Natural Resources__. During late 1983, the Company established a significant ownership interest in the natural resources sector through the purchase of common stock of Golden Oil Company ("Golden Oil"), formerly Pinnacle Petroleum, Inc. ("Pinnacle"), a publicly held oil and gas exploration and production company. Thereafter, Pinnacle expanded its scope of operations by completing several transactions, including purchase or merger transactions with Spur Petroleum, Inc., Amarillo, Texas; Regal Petroleum, Ltd. and V-Mc Operating Company, Denver, Colorado; and Golden Oil Company, Tulsa, Oklahoma. The overall value of the Company's ownership of shares of Golden Oil stock declined with the worldwide economic decline experienced throughout the oil and gas industry. Management continues to believe that the long-term potential of this sector is positive. However, during 1989 the serious and recently increased financial pressure on the Company caused by the need to defend itself from claims in environmental litigation and simultaneously to pursue offensive legal action against insurance carriers, resulted in the Company having to raise funds by selling Golden Oil stock. To effect such sales, the Company completed a rights offering to its own stockholders to purchase shares of Common Stock of Golden Oil at market prices then bid for Golden Oil in open market trading on the National Association of Securities Dealers Automated Quotation system ("NASDAQ").

For further information concerning Golden Oil, see the Consolidated Financial Statements of Golden Oil included herewith, the separate public filings and reports of Golden Oil and materials relating to the rights offering to Company stockholders of Golden Oil shares. All such materials are publicly filed with the Securities and Exchange Commission ("SEC").

For further discussion as to environmental regulations and litigation, including the related insurance litigation, see Notes to Consolidated Financial Statements and Note 10 thereof.

NARRATIVE DESCRIPTION OF BUSINESS

The Company's current operations consist primarily of the support and development of its ownership interests in real estate and of the specialty metals business of its consolidated subsidiary, USR Metals, Inc. Also, very significant management time and corporate resources are involved in the conduct of litigation affecting the Company.

Continuing Manufacturing Operations. Metals and its wholly owned subsidiary corporation, MultiMetal Products Corporation ("MultiMetals") (together referred to as "Metals") continue to own and operate the Company's remaining interest in the manufacturing sector. Metals specializes in the custom fabrication of specialty dials and in the anodizing treatment of metals. Metals' specialty dials are used as components for watches, clocks and timers for consumer and automotive applications and are marketed through direct sales and independent sales representatives. Generally, Metals' products are fabricated and marketed on a quoted fixed-price basis. The principal raw materials used are aluminum, steel, plastics and paints. Raw materials are available from several commercial sources and in recent years Metals has experienced no significant difficulties in obtaining supplies for its ongoing business operations. Metals holds patents, trademarks or licenses as deemed advisable in connection with its activities, but does not believe that its operations are materially dependent thereon. Metals' services include a wide variety of different fabricating, finishing and decorating procedures. Metals had a backlog of orders from its ongoing product line totaling \$103,312 and \$91,185 as of December 31, 1989 and 1988, respectively. Most goods on order at December 31, 1989 were for shipment in 1990.

Metals competes against a substantial number of small specialty companies, many of which have sales and financial resources exceeding those of Metals. Price, customer service and product performance are believed important in marketing products manufactured by Metals. Price competition from foreign manufacturers, particularly those exporting to the United States from Asia, has intensified in recent years. Metals has become dependent on sales to a limited number of customers. During 1989, sales to Mideast Aluminum and Ametek constituted 35% and 19%, respectively, of the Company's total sales. No other single customer accounted for more than 10% of such sales.

Substantially all product development programs of Metals' specialty dial business are sponsored by Metals at its expense. During the last three years through December 31, 1989, expenses for research, development and engineering for continuing operations, including salaries and other expenses of personnel employed on a regular basis in such work, were not material in amount.

Various activities of Metals are subject to federal, state or local regulation with regard to environmental impact. Operations conducted by Metals have received all certificates from regulatory agencies necessary to operate Metals' manufacturing equipment in the normal course of business. Currently, the Company is defending litigation in which substantial claims for alleged environmental injury are being asserted against it. Such claims arise from allegations as to operations of USRC many decades ago in the era of World War I. For further discussion as to environmental regulations and litigation, see Notes to Consolidated Financial Statements and Note 10 thereof.

Employees. The Company and its consolidated subsidiaries employed 25 persons on a full-time basis as of December 31, 1989. In addition, the Company regularly employs part time personnel and outside professionals who provide accounting, legal and other services.

Financial Information about Industry Segments, Foreign and Domestic Operations and Export Sales. Metals, the Company's remaining manufacturing interest, the custom anodizing, fabrication and distribution of metal products and specialty dials, had no export sales during the last three years.

Item 2. Properties.

The Company's principal office is located at 550 Post Oak Boulevard, Suite 545, Houston, Texas 77027. The office contains approximately 1,550 square feet under an initial three year lease term, through December 31, 1990 in a building having approximately 54,000 net rentable square feet. The Company purchased a partnership interest constituting initially a majority ownership interest in such building through a limited partnership in which a wholly owned subsidiary of the Company serves as general partner. At the request of the Company, which required additional financial participations to close the purchase, an unaffiliated person and an officer and director of the Company put up the necessary additional financing through the purchase of limited partnership interests. Such interests were purchased for the same price per Partnership unit as was paid by the Company. See Notes to Consolidated Financial Statements and Note 3 thereof.

Metals' manufacturing facility is located in Bloomsburg, Pennsylvania where Metals currently leases approximately 10,000 square feet of space on an annual basis.

Upon expiration of the lease on its 23,000 square foot facility in Parsippany, New Jersey during December 1983, a subsidiary of the Company, USR Lighting, Inc. ("Lighting") entered into a lease for a term of ten years for a factory and office facility in Boonton, New Jersey comprising approximately 27,000 feet. Under a sublease of the property executed in connection with the sale of certain net assets of Lighting effective February 13, 1985, the facility was subleased at rates exceeding Lighting's rental cost for an initial six year term through February 1991. Under the sublease, the subtenant is obligated to pay all rent, property taxes and other occupancy expenses previously required to be paid by

Lighting under the master lease. The facility is owned by a partnership in which an officer and director of the Company holds the principal interest. The partnership did not require Lighting's obligations under the master lease to be assumed or guaranteed by the Company.

During 1980, a lease covering administrative offices in Morristown, New Jersey formerly leased by the Company and having approximately 7,000 square feet was assigned to Lighting, which subleased the premises to an unaffiliated third party for an initial term of five years with an optional five year extension which has been exercised by the subtenant.

Management of the Company and its respective subsidiaries are of the opinion that the principal properties owned or leased thereby are adequate for their present needs and are adequately protected against insurable risks customary to their respective industries.

Item 3. Legal Proceedings.

Currently the Company is defending litigation in which substantial claims for alleged environmental damages are being asserted against it. The Company is also pursuing claims against a number of large insurance companies to determine their responsibility to cover the claims asserted. In general, the costs of such litigation increased significantly during 1989 as the insurance companies withheld cooperation and funding and the Company was forced to increase offensive coverage claims at its own direct expense. The claims arise from alleged activities of USRC in the operation of an ore processing facility in Orange, New Jersey several generations ago in the era of World War I.

Litigants in the Orange, New Jersey cases also claim that the Company is responsible as an alleged "successor" to USRC. One plaintiff, T&E Industries, Inc., made a motion at Trial Court in New Jersey requesting summary judgment that the Company was responsible as an alleged successor. The Trial Court denied plaintiff's motion. Various appeals, negotiations with administrative or regulatory authorities and additional litigation are pending in various stages and forums.

During 1989, the Company received an order and demand for information from the U.S. Nuclear Regulatory Commission ("NRC") dated March 16, 1989 in which the NRC modified certain operating licenses of SLC and demanded information respecting the Bloomsburg, Pennsylvania site of SLC. The order, which alleged that the Company is liable as a "corporate successor" of SLC, requires site characterization and decontamination, and demands that the defendants establish an escrow fund of one million dollars as an initial provision for such liabilities. The Company is party to a Defense Agreement executed in 1985 with certain primary insurers under which such insurers are providing certain defense costs on behalf of their insureds. All of the insurance companies are participating in the 1985 Defense Agreement under "reservation of rights" to disclaim the Defense Agreement, deny coverage on the underlying claims and attempt to recover their respective costs to date.

Other than the five primary insurance companies who are signatories to the 1985 Defense Agreement, to date none of the more than twenty other insurance carriers who had insured the Company or SLC have been willing to assist the Company with its legal defense costs or to pay any costs of site testing evaluation or remediation. During 1989, certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

For information relating to this and additional legal proceedings, see Notes to Consolidated Financial Statements and Note 10 thereof.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted for vote by security holders during the fourth quarter of 1989.

PART II

Item 5. Market For the Company's Common Equity and Related Stockholder Matters.

The following table sets forth the range of sales prices for the Company's Common Stock for each quarter during the last two fiscal years. The prices shown reflect trading on the NASDAQ System for the years 1988 and 1989. With the cooperation of the American Stock Exchange, Inc. ("Amex") during January 1988 the Company voluntarily delisted from the Amex and trading for its Common Stock was established on NASDAQ under the symbol "UIND."

	High	Low
1989		
First Quarter	$.50	$.25
Second Quarter	.50	.25
Third Quarter	.50	.25
Fourth Quarter	.50	.06
1988		
First Quarter	$2.25	$.75
Second Quarter	1.88	.50
Third Quarter	1.00	.38
Fourth Quarter	.75	.13

At March 1, 1990 there were approximately 1,200 holders of record of common stock of the Company.

No cash dividends were declared or paid during the two year period ended December 31, 1989. Management believes it unlikely that the Company will pay dividends in the foreseeable future.

Item 6. Selected Financial Data.

The following selected financial information has been derived from, and is qualified by reference to and should be read in conjunction with, the Company's Consolidated Financial Statements and Notes thereto included elsewhere herein, except the data relating to the fiscal years ended December 31, 1986 and 1985 has been derived from previously published financial statements.

(in thousands except per share amounts)

	Years Ended December 31, 1989	1988	1987	1986	1985
Revenues	$1,126	1,224	573	490	359
Net earnings (loss)	$ (703)	(869)	(774)	(695)	(538)
Net earnings (loss)	$ (.71)	(.87)	(.78)	(.69)	(.52)
Total assets	$1,816	4,967	5,834	4,067	4,911
Total current liabilities	$ 697	817	755	581	748
Long-term obligations	$ 79	2,077	2,097	64	-
Stockholders' equity	$1,041	1,744	2,613	3,388	4,163

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity and Capital Resources

To date the Company has funded its internal cash needs from operations; asset sales; issuance of Common Stock; and bank borrowings from time to time. With the sales of the Company's manufacturing assets and its Plan of Asset Redeployment having been substantially completed, the Company expects to look to further sales of assets to meet its liquidity needs, if such are not met from current operations. However, there can be no assurance that the proceeds from such transactions would be sufficient to meet the Company's future expenses, particularly its legal expense.

If in the future the Company is unable to meet its obligations as they fall due, the Company could be required to seek protection from creditors under the federal bankruptcy code.

On a consolidated reporting basis as of December 31, 1989, the Company's working capital deficit was $71,420 and the ratio of current assets to current liabilities was 0.9 to 1.0 versus a working capital deficit of $351,819 and current ratio of 0.6 to 1.0 as of December 31, 1988.

The Company has been required to bear very substantial administrative and legal expenses for certain environmental litigation. For further discussion as to environmental regulations and litigation see Notes to Consolidated Financial Statements and Note 10 thereof. Under a Defense Agreement dated September 30, 1985 to which the Company, SLC and five primary insurance carriers are parties, certain of the Company's ongoing legal defense costs in the environmental litigation have been assumed by such insurance carriers. However, the Defense Agreement does not fully cover either the direct or indirect costs to the Company of the litigation. Further, it should be noted that the insurance carriers are defending "under reservation" of their absolute rights to deny all liability on the underlying claims and that certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers not party to the 1985 Defense Agreement have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

The Company is subject to additional environmental claims which are not covered by any defense agreement with insurers, although negotiations for the possible participation by certain insurance carriers are in progress. Of course there can be no assurance that such discussions will result in any agreement as to defense costs. In the event that no agreement is reached with insurers with respect to such defense costs, the Company will be required to provide for additional legal expenses. Potential sources of liquidity for the Company include sale of the Company's remaining ownership of shares of Common Stock of Golden Oil, the sale of notes receivable and the sale of all or part of the Company's partnership interest in the commercial office building in Houston, Texas.

To gain liquidity, the Company initiated an offering during 1988 to its stockholders of rights to purchase up to a total of 400,000 shares of its overall ownership position of Golden Oil Common Stock at a net price, as adjusted, of $.50 per share. Under terms of the offering, all stockholders of the Company were entitled to participate in the offer on a pro rata basis, and to subscribe for Golden Oil Common Stock in proportion to their ownership of Common Stock of the Company. The proceeds from the first and second rounds of the offering were received by the Company and substantially all of such shares offered were subscribed. Subsequent to year end, on March 5, 1990, Golden Oil filed with the SEC a Registration Statement on Form S-3 to register the remaining 489,077 shares of Golden Oil Common Stock owned by the Company, which are pledged to a commercial bank as collateral for a note payable. Such shares will be offered to stockholders of the Company on the record date of February 28, 1990 at a price of $.25 per share or the average of the closing bid and asked prices for Golden Oil Common Stock as reported on NASDAQ on the five days preceding the expiration date of such offering, whichever is less.

The Company is of the opinion that if, in the future, there is any material adverse development in the environmental litigation, the Company may be required to make additional asset sales as above or to consider other alternatives, including filing for protection from creditors under the federal bankruptcy code.

Results of Operations

1989 Compared With 1988. Total revenues during 1989 decreased to $1,125,664 compared to $1,223,571 in 1988. Net sales from manufacturing for the year ended December 31, 1989 were $ 955,455 compared to $544,863 for the comparable prior year. The increase of $410,592 is primarily attributable to consolidation of the results of operations of MultiMetals from April 1, 1990 through December 31, 1990 offset by a decline in unit sales volumes of certain other Metals' customers. During 1989 the Company's interest in a partnership formed to purchase a commercial office building in Houston, Texas (the "Partnership") decreased to less than fifty percent (50%) of the Partnership, after which the Company's interest in the Partnership was reported on a deconsolidated basis using the equity method of accounting. For 1989, the Company reported rental income of $93,176 compared to $613,745 on a fully consolidated basis for the prior year. For further discussion see Notes to Consolidated Financial Statements and Note 3 thereof.

Interest income for 1989 of $62,796 increased $4,101 from the prior year level. Such income is derived primarily from the accretion of the discount and interest received attributable to notes receivable from the sales of certain net assets of Lighting and Metals.

Cost of sales for the current year was $468,215 compared to $228,881 for 1988. Such increase was due primarily to the consolidation of the results of operations of MultiMetals from April 1, 1989 through December 31, 1989 offset by a decline in Metals' sales. Selling, general and administrative expenses for the year ended December 31, 1989 were $898,161 compared to $781,541 for the prior year. The net increase reflects the effects of the consolidation of the results of operations of MultiMetals from April 1, 1989 through December 31, 1989 and increased legal fees respecting the environmental litigation as more fully described in the Notes to the Consolidated Financial Statements and Note 10 thereof. These increases were partially offset by the exclusion during 1989 of operating expenses of the office building due to the change in its accounting to the equity method. Interest expense for the current year decreased to $26,303 from $212,533 reflecting the exclusion during 1989 of interest expense on the mortgage assumption connected with the office building.

The Company's equity in the net loss of Golden Oil of $171,863 reflects the Company's pro rata share of Golden Oil's results of operations for 1989. The decrease from 1988 is due to reduced losses by Golden Oil and, as more fully described in the Notes to Consolidated Financial Statements and in Note 2 thereof, effective September 14, 1989 the Company changed its method of accounting for its investment in shares of Golden Oil Common Stock to the cost method. Also, during 1989 the Company recorded a $151,702 market value writedown on shares of Golden Oil Common Stock to be offered by the Company to its stockholders during 1990 through a rights offering.

As more fully described in the Notes to Consolidated Financial Statements and Note 3 thereof, in 1989 the Company's equity in the net loss of the Partnership was $25,872 as reported using the equity method. In 1988, the Partnership was fully consolidated with the Company and therefore the Company reported a minority interest in net loss of partnership of $40,945.

Primarily as a result of the foregoing factors, the Company reported a net loss of $703,185 for 1989 compared to a net loss of $869,180 for 1988.

<u>1988 Compared With 1987</u>. Total revenues during 1988 increased to $1,223,571 compared to $573,295 in 1987. Net sales from manufacturing for the year ended December 31, 1988 were $544,863 compared to $367,446 for the comparable prior year. The increase of $177,417 was primarily attributable to increased unit sales volume generated from new and existing customers. Rental income increased to $613,745 during 1988 compared to $82,827 for the prior year. Such increase reflected full year rental income associated with the office building which was purchased during November 1987. Interest income of $58,695 for the current year, derived primarily from notes receivable from the sales of certain net assets of Lighting and Metals, decreased $2,822 from the prior year.

Cost of sales for the current year was $228,881 compared to $140,171 for 1987. Such increase was due primarily to a corresponding increase in sales as above. Selling, general and administrative expenses for the year ended December 31, 1988 were $781,541 compared to $578,646 for the prior year. The increase reflected a full year Partnership operating expenses of the office building in Houston, Texas offset by continued reductions in corporate overhead expenses. Interest expense for the current year increased to $212,533 from $46,823 which reflected interest expense for the full year on the mortgage assumption connected with the office building purchase.

The Company's equity in the net loss of Golden Oil of $447,742 reflected the Company's pro rata share of Golden's results of operations for 1988. In addition, the Company recorded a $300,000 market value writedown on shares of Golden Oil Common Stock offered by the Company to its stockholders through a rights offering made during 1988.

Primarily as a result of the foregoing factors, the Company reported a net loss of $869,180 for 1988 compared to a net loss of $773,568 for 1987.

<u>Inflation and Changes in Prices</u>

In recent years, those entities owned by the Company or in which the Company has held stock ownership positions or partnership interests have operated in sectors having generally deflationary economic environments. Thus the impact of inflation on the revenues and expense levels reported by the Company during the past three years has been insignificant. With easing of inflationary pressures during recent years, both the selling prices for the Company's manufactured products and the costs of production, including costs of labor and materials, have tended to stabilize. However, despite continued weaknesses in the U.S. dollar relative to most Asian currencies during 1989, competition in the manufacturing business from Asian based exporters remains intense.

Financial Accounting Standards Board's Statement Releases

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards No. 96. This statement requires substantial changes in the method of accounting for deferred income taxes. The FASB has recently delayed the effective date of this statement until 1992. The Company has no deferred taxes recorded and is currently in a net operating loss carryforward position. The Company has not yet adopted this statement and, accordingly, the impact on the Company's financial condition and results of operations has not been determined; however, the Company does not expect its adoption to have a material adverse effect.

Item 8. Financial Statements and Supplementary Data.

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All other schedules are omitted because they are not applicable or the information is included in the financial statements and notes included herewith.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of USR Industries, Inc:

We have audited the consolidated financial statements and the financial statement schedules of USR Industries, Inc. and subsidiaries as listed in the index on pages 14 and 15 of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of USR Industries, Inc. and subsidiaries as of December 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as whole, present fairly the information required to be included therein.

As more fully discussed in Note 10 to the consolidated financial statements, the Company is subject to contingencies arising from litigation. Additionally, certain insurance carriers may refuse or restrict further financial assistance for the costs related to the defense of these matters. These defense costs have been and are expected to continue to be material. It is uncertain whether current operations will generate sufficient working capital to enable the Company to continue its legal defense, which raises doubt about the Company's ability to continue as a going concern. As the outcome of these uncertainties cannot presently be determined, the financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties.

As more fully discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for its investment in Golden Oil Company Common Stock to the cost method. Additionally, as more fully discussed in Note 3, in 1989 the Company has changed its method of accounting for its investment in a limited partnership to the equity method.

COOPERS & LYBRAND

Houston, Texas
April 3, 1990

USR INDUSTRIES, INC.

Consolidated Balance Sheets

	December 31, 1989	December 31, 1988
ASSETS		
Current assets:		
Cash and cash equivalents	$ 65,864	14,054
Accounts receivable:		
Trade	193,000	197,011
Other	100,717	7,050
Inventories	22,550	25,066
Notes receivable-current portion	14,944	12,063
Common stock held for sale Golden Oil	122,269	200,000
Prepaid expenses and other	106,092	10,245
Total current assets	625,436	465,489
Ownership of common stock-Golden Oil	-	580,476
Investment in Partnership	289,258	-
Notes receivable-related parties	453,948	486,887
Property, plant and equipment, at cost	1,716,716	4,679,438
Less accumulated depreciation	(1,332,433)	(1,344,445)
	384,283	3,334,993
Other assets, net	63,482	99,017
	$1,816,407	4,966,862

(Continued)

USR INDUSTRIES, INC.

Consolidated Balance Sheets (Continued)

	December 31, 1989	December 31, 1988
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 179,196	190,688
Accounts payable	380,225	471,377
Accrued expenses	137,435	155,243
Total current liabilities	696,856	817,308
Other long-term liabilities	17,500	40,266
Long-term debt	-	1,975,072
Long-term obligation under capital lease	61,277	62,078
Minority interest - Partnership	-	328,178
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $1; 3,500,000 shares authorized; issued and outstanding 994,655 shares at December 31, 1989 and 1988	994,655	994,655
Additional paid-in capital	365,461	365,461
Retained earnings (deficit)	(319,342)	383,844
Total stockholders' equity	1,040,774	1,743,960
	$1,816,407	4,966,862

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Operations

	Years Ended December 31, 1989	1988	1987
Revenues:			
Net sales	$ 955,455	544,863	367,446
Rental income	93,176	613,745	82,827
Interest income	62,796	58,695	61,517
Other income	14,237	6,268	61,505
Total revenues	1,125,664	1,223,571	573,295
Costs and expenses:			
Cost of sales	468,215	228,881	140,171
Selling, general and administrative expenses	898,161	781,541	578,646
Depreciation and amortization	86,733	163,499	82,737
Interest expense	26,304	212,533	46,823
Total costs and expenses	1,479,413	1,386,454	848,377
Gain on pension termination	-	-	10,323
Gain on sale of assets	-	500	5,000
Market value writedown of common stock-Golden Oil	(151,702)	(300,000)	(192,000)
Equity in net earnings (loss) of Golden Oil	(171,863)	(447,742)	(352,686)
Minority interest in net loss of Partnership	-	40,945	30,877
Equity in net earnings (loss) of Partnership	(25,872)	-	-
Net earnings (loss)	$ (703,186)	(869,180)	(773,568)
Net earnings (loss) per common share	$ (.71)	(.87)	(.78)
Weighted average number of common shares outstanding	994,655	994,655	994,954

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 1986	995,655	$ 995,655	$ 366,011	$2,026,592	$3,388,258
Net earnings (loss)	-	-	-	(773,568)	(773,568)
Treasury stock acquisitions (par value method)	(1,000)	(1,000)	(550)	-	(1,550)
Balance at December 31, 1987	994,655	994,655	365,461	1,253,024	2,613,140
Net earnings (loss)	-	-	-	(869,180)	(869,180)
Balance at December 31, 1988	994,655	994,655	365,461	383,844	1,743,960
Net earnings (loss)	-	-	-	(703,186)	(703,186)
Balance at December 31, 1989	994,655	$ 994,655	$ 365,461	$ (319,342)	$1,040,774

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	1989	1988	1987
Cash flows from operating activities:			
Net earnings (loss)	$ (703,186)	(869,180)	(773,568)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	86,733	163,499	82,737
Accretion of discount on notes receivable	(16,360)	(24,188)	(21,995)
Gain on sale of assets	-	(500)	(5,000)
Market value writedown of common stock	151,702	300,000	192,000
Accounts payable paid with stock of Golden Oil	60,000	-	-
Equity in net loss of Golden Oil	171,863	447,742	352,686
Minority interest in net loss of Partnership	-	(40,945)	(30,877)
Equity in net loss of Partnership	25,872	-	-
Changes in assets and liabilities net of effects from rescission of MultiMetals and the exclusion of the Partnership in the consolidation:			
(Increase) decrease in other assets	500	(9,578)	(8,540)
Decrease in deferred income	-	-	(34,679)
Increase in other long-term liabilities	800	11,844	28,422
(Increase) decrease in accounts receivable	(24,797)	(113,737)	664,919
(Increase) decrease in inventories	3,234	2,173	(7,840)
(Increase) decrease in prepaid expenses and other	28,265	8,755	(15,444)
Increase in accounts payable	227,998	187,353	179,630
Increase (decrease) in accrued expenses	(19,739)	10,607	8,160
Net cash provided by (used in) operating activities	(7,115)	73,845	610,611

(Continued)

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31, 1989	1988	1987
Cash flows from investing activities:			
Proceeds from sale of assets	$ -	500	5,000
Proceeds from sale of (investment in) shares of Golden Oil	155,418	-	(43,834)
Advances to Partnership	(52,858)	-	-
Limited partners capital contribution to Partnership	-	-	400,000
Principal receipts of notes receivable	11,741	8,860	8,185
Additions to property, plant and equipment	(21,444)	(80,800)	(2,957,165)
Cash acquired through rescission of MultiMetals	841	-	-
Cash surrendered through deconsolidation of the Partnership	(636)	-	-
Net cash provided by (used in) investing activities	93,062	(71,440)	(2,587,814)
Cash flows from financing activities:			
Proceeds from notes payable	-	-	1,992,012
Payments of long-term lease obligations	(801)	(744)	(693)
Payments on notes payable	(33,336)	(56,252)	-
Treasury stock acquisitions	-	-	(1,550)
Net cash provided by (used in) financing activities	(34,137)	(56,996)	1,989,769
Net increase (decrease) in cash and cash equivalents	51,810	(54,591)	12,566
Cash and cash equivalents at beginning of year	14,054	68,645	56,079
Cash and cash equivalents at end of year	$ 65,864	14,054	68,645

(Continued)

USR INDUSTRIES, INC.

Consolidated Statements of Cash Flows (Continued)

Supplemental Schedule of Noncash Investing and Financing Activities:

As more fully discussed in Note 3, the Company ceased consolidating the assets, liabilities and operating results of the Partnership on July 1, 1989 and commenced accounting for its investment using the equity method. The following represents the Partnership's summarized financial statement information at July 1, 1989.

Current assets	$ 67,929
Long-term assets	2,940,830
	$ 3,008,759
Current liabilities	$ 94,852
Long-term liabilities	1,975,223
Partners' equity	938,684
	$ 3,008,759

As more fully discussed in Note 4, on April 1, 1989 the Company reacquired the assets and assumed the liabilities of MultiMetals in exchange for the Company's note receivable.

During the year ended December 31, 1989, the Company paid certain accounts payable amounting to $135,000 with shares of Golden Oil Common Stock owned by the Company.

Cash paid for interest amounted to $26,324, $212,966 and $32,250 for 1989, 1988 and 1987, respectively.

See Notes to Consolidated Financial Statements.

USR INDUSTRIES, INC.

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Principles of Consolidation The accompanying consolidated financial statements include the accounts of USR Industries, Inc. (the "Company") and its wholly owned subsidiaries Metal Fabricators, Inc.; USR Lighting, Inc. ("Lighting"); USR Metals, Inc. ("Metals"); USR Chemicals, Inc.; MultiMetal Products Corporation ("MultiMetals); Unatco Funding Corporation; and 550 POB, Inc. All significant intercompany accounts and transactions have been eliminated.

Inventories Inventories of raw materials are carried at the lower of cost (first-in, first-out) or market. Work-in-process and finished goods inventories are valued at the lower of average cost or market.

Property, Plant and Equipment Property, plant and equipment are depreciated over the estimated useful lives of the depreciable assets using the straight line method. Expenditures for maintenance and repairs which do not improve or extend the useful lives are charged to operations as incurred, while expenditures for major renewals and betterments are capitalized. Dispositions of assets are reflected at the historical costs less accumulated depreciation, with resulting gain or loss reflected in operations currently.

Income Taxes The Company and its wholly owned subsidiaries join in filing a consolidated federal income tax return. Investment tax credits are accounted for by the flow-through method.

Accruals and Reserves The consolidated balance sheets include a provision of $100,000 established in 1983 for estimated future litigation expenses in connection with claims asserted against the Company and its wholly owned subsidiaries. See Note 10.

Earnings Per Share Net earnings (loss) per share of common stock are based on the weighted average number of shares of common stock outstanding during each period.

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

Financial Accounting Standards Board's Statement Releases The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 96. This statement requires substantial changes in the method of accounting for deferred income taxes. The FASB has recently delayed the effective date of this statement until 1992. The Company has no deferred taxes recorded and is currently in a net operating loss carryforward position. The Company has not yet adopted this statement and, accordingly, the impact on the Company's financial condition and results of operations has not been determined; however, the Company does not expect its adoption to have a material adverse effect.

Reclassifications Presentation of the financial statements for 1988 has been changed to conform with the 1989 financial statement classifications. Such reclassifications have no effect on results of operations as reported previously.

(2) OWNERSHIP OF SHARES OF GOLDEN OIL COMPANY

In 1987, the Company anticipated offering certain shares of Common Stock of Golden Oil Company ("Golden Oil") formerly Pinnacle Petroleum, Inc. ("Pinnacle") on a pro rata basis to the Company's stockholders through a rights offering registered with the Securities and Exchange Commission ("SEC") to be undertaken during 1988. As such shares were held for near term disposition, they were reclassified as a current asset on the Company's financial statements at December 31, 1987 and the Company recognized a writedown of $192,000. In connection with the rights offering, the exercise price was adjusted to $.50 per share to reflect the market value decrease in Golden Oil Common Stock resulting in an additional writedown of $300,000 during 1988.

At December 31, 1988 the Company owned 1,005,514 shares of Golden Oil Common Stock constituting approximately 41.9% of the total Common Stock of Golden Oil then outstanding which was accounted for on the Company's financial statements using the equity method. During 1989, in lieu of cash, the Company settled certain outstanding legal expenses and paid Directors' fees by payment of 117,153 shares of Golden Oil Common Stock. In addition, the rights offering was completed, pursuant to which the Company sold 399,284 shares of Golden Oil Common Stock to the stockholders of the Company. Thereafter, pursuant to a three way merger on September 14, 1989 Golden Oil merged with two other affiliated oil and gas exploration and production companies. In connection with these mergers, Golden Oil issued 4,641,450 additional shares of its Common Stock. After these transactions, the Company's remaining 489,077 shares of Golden Oil Common Stock constituted approximately 6.9% of Golden Oil's total outstanding Common Stock and effective September 14, 1989, the Company changed to the cost method of accounting for its investment in Golden Oil.

In order to enhance liquidity, the Company intends to dispose of its remaining stock investment in Golden Oil. Accordingly, at December 31, 1989, the Company has reclassified its investment in Golden Oil as a current asset and recognized a market writedown of $151,702.

Shown below is summarized financial statement information for Golden Oil on a separate reporting basis. Additional information concerning Golden Oil is contained in Golden Oil's own filings with the SEC and Annual Reports on Form 10-K.

Summarized Financial Information

Golden Oil Company
(Formerly Pinnacle Petroleum, Inc.)

	December 31,	
	1989	1988
Current assets	$ 1,844,690	923,833
Property and equipment, net	4,448,090	1,975,686
Ownership of common stock	-	1,460,712
Other assets	311,871	495,720
	$ 6,604,651	4,855,951
Current liabilities	$ 1,042,744	609,227
Other payable - affiliate	-	324,522
Long-term debt	239,998	-
Minority interest - Regal Petroleum, Ltd.	-	1,064,277
Stockholders' equity	5,321,909	2,857,925
	$ 6,604,651	4,855,951

	Years Ended December 31,		
	1989	1988	1987
Revenues	$ 1,217,710	763,527	1,029,108
Costs and expenses	1,918,809	2,021,381	2,019,019
Earnings (loss) from operations	(701,099)	(1,257,854)	(989,911)
Minority interest in net loss of Regal Petroleum, Ltd.	144,200	273,905	203,950
Equity in net loss of investee	(96,851)	(51,046)	-
Net earnings (loss)	$ (653,750)	(1,034,995)	(785,961)

(3) ACQUISITION OF OFFICE BUILDING

In 1987, the Company acquired through its wholly owned subsidiary, 550 POB, Inc. ("Subsidiary"), an interest initially comprising approximately 56% of the equity of Houston-Phoenix Co., Ltd., a Texas limited partnership formed to purchase a commercial office building located at 550 Post Oak Boulevard, Houston, Texas 77027 (the "Partnership"). Currently, the Subsidiary serves as the general partner of the Partnership and manages the property. As the Company through its Subsidiary then held a majority of the equity interest of the Partnership, the Company's consolidated financial statements for 1988 and 1987 include the assets, liabilities and the operating results of the Partnership since the date of acquisition.

During 1989, the Company converted $250,000 of advances made to the Partnership into additional equity interest. Additionally, in lieu of cash payments, on July 1, 1989 the Company settled certain legal expenses totaling $300,000 and paid $45,000 of other expenses by exchanging 46% of its investment in the Partnership. After giving effect to the payments in lieu of cash, the Company's current ownership constitutes approximately 35% of the equity interest of the Partnership. The Company no longer reflects the Partnership's assets, liabilities and operating results with the Company's financial statements on a fully consolidated basis. For 1989, the Company's financial statements reflect its investment in the Partnership using the equity method of accounting. The Company's 1988 and 1987 financial statements have not been retroactively restated to present those years using the equity method.

Shown below is summarized unaudited financial statement information of the Partnership.

	December 31, 1989	December 31, 1988
Current assets	$ 76,539	72,708
Property and equipment, net	2,886,678	2,929,812
Other assets	26,680	35,035
	$ 2,989,897	3,037,555
Current liabilities	$ 102,507	103,468
Other payable - affiliate	-	197,142
Long-term debt	1,928,490	1,975,071
Other long-term liabilities	17,021	23,566
Stockholders' equity	941,879	738,308
	$ 2,989,897	3,037,555

	Years Ended December 31, 1989	Years Ended December 31, 1988	From Inception to December 31, 1987
Revenues	$ 628,541	540,510	44,108
Costs and expenses	674,970	632,728	113,582
Net earnings (loss)	$ (46,429)	(92,218)	(69,474)

(4) NOTES RECEIVABLE

Effective February 13, 1985 certain net assets of Lighting and Metals were sold to newly formed corporations owned by the Chairman of the Company (the "Purchasing Corporations"). In connection with its review of the transaction, the Board of Directors of the Company received the written opinion of the investment banking group of Connecticut National Bank (a subsidiary of Hartford National Corporation) that the transaction would be fair, from a financial point of view, to the Company and its stockholders. At a Meeting held March 7, 1986 the Company's stockholders approved and ratified the sales transactions.

In connection with the asset sales, the Purchasing Corporations delivered, in addition to cash consideration, notes receivable having an aggregate full value of $644,000. For financial statement reporting purposes, the principal amounts of such notes were discounted to issuance at an assumed market interest rate of 11% which resulted in a discount of $196,525. During 1989, 1988 and 1987 interest income from the notes of the Purchasing Corporations totalled $54,589, $56,568, and $55,045, respectively, of which $16,360, $24,188, and $21,995, respectively, were attributable to accretion of original issue discount on the notes.

The asset sales transactions are subject to certain conditions, including under certain circumstances, that the Purchasing Corporations may rescind the transactions and be repaid the purchase price in full upon advice that there is any question whether the assets were purchased "free and clear" of claims against the Company or its subsidiaries. Effective April 1, 1989 one of the Purchasing Corporations exercised its right to rescind the transaction. Accordingly, the assets and liabilities of the Purchasing Corporation were transferred to the Company and the note receivable to the Company having a remaining book value of approximately $79,000 was cancelled. No gain or loss was recognized on the transaction. Pro forma information is not presented respecting the transaction as the size of the transaction is not considered material.

Under terms of the rights offering to the Company's stockholders for the sale of Golden Oil Common Stock, one-half of the consideration for any second round additional shares purchased by stockholders was payable in the form of a note receivable to the Company. Such notes bear annual interest at the annual rate of 10% and are due in full on November 30, 1992. The notes receivable are collateralized by delivery into escrow at the Company of all shares purchased in the second round of the rights offering. At December 31, 1989 notes receivable in the amount of $44,224 were due to the Company from its Chairman.

USR INDUSTRIES, INC.

Notes to Consolidated Financial Statements (Continued)

(5) PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 1989 and 1988 is as follows:

	1989	1988
Land and buildings	$ 183,254	3,120,766
Machinery and equipment	912,130	849,516
Office furniture and fixtures	61,686	58,465
Leasehold improvements	559,646	650,691
	1,716,716	4,679,438
Less accumulated depreciation	(1,332,433)	(1,344,445)
	$ 384,283	3,334,993

(6) EMPLOYEE BENEFIT PLAN

Effective January 1, 1987, the Company adopted a 401(k) savings plan. The plan covers all employees who have completed one or more years of service and are not covered by a collective bargaining agreement. Each participant may make annual contributions up to the lesser of $7,000 or 13% of compensation. The Company, at its discretion, may match participants' contributions up to 2% of their compensation. Participant contributions are vested at all times, and the discretionary employer contributions vest 20% per year after two years. The Company incurred contribution expense of $2,114 and $2,230 in 1989 and 1988, respectively. Additionally, effective January 1, 1987 the Company adopted a defined benefit plan for all employees covered by a collective bargaining agreement. The Company's annual contribution to the plan is actuarially determined. Participants in the plan are fully vested after five years of service. The actuarial status of the defined benefit plan at December 31, 1989 has not been determined; however, management does not consider the impact of the plan to be material to the consolidated financial statements. The Company incurred pension expense of $3,277 and $2,628 in 1989 and 1988, respectively.

(7) FEDERAL INCOME TAXES

For federal income tax purposes at December 31, 1989, the Company and its wholly owned subsidiaries had net operating loss carryforwards of approximately $974,100 which expire at various dates through the year 2004 and net capital loss carryforwards of approximately $1,817,200 which expire through the year 1994. In addition, the Company had investment tax credit carryforwards of approximately $29,400 which expire through the year 2000.

For financial reporting purposes at December 31, 1989, the Company and its wholly owned subsidiaries had $4,947,200 of net operating loss carryforwards and approximately $5,900 of net investment tax credit carryforwards. Certain items of income and expense, primarily depreciation, are recognized for income tax purposes in amounts and periods which differ from those recognized for financial reporting purposes.

Investment tax credit carryovers have been reduced in accordance with the Tax Reform Act of 1986.

(8) LEASES

The Company's principal offices are located at 550 Post Oak Boulevard, Suite 545, Houston, Texas 77027. The offices consist of approximately 1,550 square feet under an initial three year lease through December 1990.

The Company's wholly owned subsidiary, Lighting, leases an office building and a manufacturing facility under long-term capital and operating leases, respectively. The leases contain varying terms and renewal options. In turn, both facilities leased by Lighting are subleased at rentals in excess of their lease expense. The Company did not itself guarantee any obligation under the operating lease.

At December 31, 1989, the aggregate future minimum lease payments under the capital lease and Lightings' noncancellable operating lease are as follows:

	Capital Lease	Operating Lease
1990	$ 5,318	$ 151,000
1991	5,318	151,000
1992	5,318	151,000
1993	5,318	151,000
1994	5,318	-
Subsequent to 1994	113,837	-
Total minimum lease payments	140,427	
Less amount representing interest	(78,349)	
Present value of future minimum lease payments	62,078	
Less current obligation	(801)	
	$ 61,277	

Total rental expense on the operating lease was approximately $151,000, $145,000 and $127,000 for the years ended December 31, 1989, 1988 and 1987, respectively. The Company was paid lease rental income under the operating lease for the years ended December 31, 1989, 1988 and 1987 of approximately $187,000, $181,000 and $166,000, respectively from the Purchasing Corporations. For financial reporting purposes, sublease rental income is recorded net of rental expense. Future sublease rental income under current sublease contracts respecting the operating and capital leases is scheduled to be approximately $259,000.

(9) NOTES PAYABLE AND LONG-TERM DEBT

Notes payable at December 31, 1989 consisted of the following:

Note payable to bank, collateralized by all of the Company's Common Stock of Golden Oil, bearing interest at prime plus 1% (prime rate was 11.5% at December 31, 1989), requiring monthly principal payments of $2,000 plus accrued interest, and maturing January 1, 1990	$ 123,954
Note payable to bank, collateralized by certain accounts receivable, inventory and equipment of MultiMetals, bearing interest at prime plus 1% (prime rate was 11.5% at December 31, 1989), requiring monthly principal payments of $1,167 plus accrued interest, and maturing January 1, 1990	55,242
	$ 179,196

Subsequent to year end, the notes matured and under an informal arrangement with the bank, the Company has continued payments of monthly amounts of principal and interest as originally scheduled. The Company has proposed that upon disposition of its remaining shares of Golden Oil Common Stock, the Company would pay down principal amounts and formally reschedule its further payments.

(10) COMMITMENTS AND CONTINGENCIES

Legal Proceedings

(a) On April 2, 1981 an action was commenced in the Superior Court of New Jersey, Essex County, by T & E Industries, Inc. naming USRC, the corporate predecessor to Safety Light Corporation ("SLC"), as a defendant and alleging, inter alia, that property in Orange, New Jersey owned by the plaintiff suffers from contamination from certain radioactive materials allegedly deposited thereon by USRC during prior years. The litigation arises from operations conducted by USRC at the site during the years 1917 to 1926. Subsequent to the commencement of this action the complaint was amended to include the Company and certain of its subsidiaries alleged to be corporate successors to the former USRC. The plaintiff seeks to compel remedial action as to alleged improper condition of the site and damages in unspecified amounts in compensation for injury to its property and business as well as punitive damages.

During December 1983 plaintiffs amended such complaint to include as additional defendants GAF Corporation, Mitsubishi Chemical

Industries, Inc. ("MCI") and MCI's subsidiary in New Jersey, USR Optonix, Inc., which was alleged to be a corporate successor to the former USRC. The additional defendants were claimed to be liable under the product line exception to the general theory that a third party purchaser of assets is not liable as a successor. The additional defendants answered denying liability and demanded that the previously named defendants defend the action on their behalf and indemnify them against costs and any potential liability in connection therewith. In 1984 the additional defendants were successful on a motion for summary judgment against the plaintiffs and, accordingly, the claims of the additional defendants against the Company and its subsidiaries have been dismissed.

In early 1985 the Company prevailed against a motion for summary judgment by the plaintiff seeking judgment that the Company is the successor to USRC.

In September 1985 five primary insurance carriers of the Company and SLC assumed the defense of the Company, certain of the Company's subsidiaries and SLC, pursuant to a Defense Agreement. While the insurance carriers are assisting in the defense of certain actions their defense is made subject to an absolute reservation of rights to deny liability on any of the underlying claims.

On February 3, 1986, this matter was tried before a jury in front of the Honorable Stanley G. Bedford. This trial was only with respect to the liability, if any, of SLC. Prior to trial, the Court bifurcated the count asserting liability against the Company and certain of the Company's subsidiaries and on November 18, 1985 ordered that all claims against the Company would be severed and separately tried, if at all, in the event plaintiff obtains a judgment against SLC.

During trial the Court granted a directed verdict in favor of SLC dismissing all of plaintiff's strict liability claims, all negligence based claims relating to the conduct of USRC between 1917-1926, and all claims based upon fraud, recklessness and intentional conduct. The only remaining claims against SLC were an alleged negligent failure to warn when the premises were sold in 1943 and a negligence theory which allegedly placed upon USRC a continuing duty to warn prospective purchasers up through the time plaintiff purchased the property in 1974, thirty-one years later. The Court also reduced plaintiff's damage claim from $2.8 million to under $400,000.

On March 11, 1986, the jury returned a verdict, finding that USRC was not negligent in 1943 when it failed to warn its immediate purchaser that the presence of radioactive tailings on the premises constituted a potential risk to health or property. The jury did find that USRC was negligent for not warning plaintiff before its purchase of the property thirty-one years later, in 1974, that the same potential risk to health or property existed on the premises. Damages were assessed against SLC in the amount of $372,100.62.

On April 25, 1986, Judge Bedford granted SLC's motion for judgment in its favor notwithstanding the jury's verdict of March 11, 1986. The Court also denied plaintiff's application for indemnification by SLC of all cleanup costs assessed against plaintiff as a result of any future government efforts to decontaminate the property. Final judgment was thereafter entered in favor of SLC, the Company and certain of the Company's subsidiaries on May 29, 1986 and awarded on June 20, 1986, dismissing all of plaintiff's claims in their entirety.

On July 9, 1986, plaintiff filed a Notice of Appeal from the June 20, 1986 judgment. On August 11, 1988 the Appellate Division reversed the lower court's decision, entered judgment in favor of plaintiff based on plaintiff's absolute liability claim and remanded the case to the trial court for a new trial on the issue of damages. By order dated September 19, 1988 Safety Light's motion for re-consideration was denied by the Appellate Division. A petition for certification to the Supreme Court of New Jersey has granted and oral arguments were heard on March 12, 1990 pending before that Court.

Since plaintiff's claims against the Company and certain of the Company's subsidiary companies will only be litigated in the event plaintiff is ultimately successful in its appeal against SLC, it is unclear at this time when, if at all, such claims will be tried. If a trial against the Company and certain of its subsidiaries does occur there remains to be resolved the outstanding issues of indemnification by SLC and crossclaims between it and the Company.

Claims also were made by T & E Industries in an action brought in the U.S. District Court for the District of New Jersey, allegedly pursuant to the Comprehensive Environmental Response, Compensation Liability Act of 1980 ("CERCLA") seeking a declaration that defendants are liable for all costs of cleanup and decontamination, consistent with the National Contingency Plan, of the site presently known as 422 Alden Street, Orange, New Jersey and seeking a judgment for "response costs" already incurred and injunctive relief for enforcing such remedy. Defendants made a motion to dismiss and plaintiffs made a cross-motion for partial summary judgment against SLC. The motions were heard on February 10, 1988. The Court, through Judge Wolin, found against the defendants' motion to dismiss and granted T & E's application that SLC is liable under CERCLA for all necessary costs of response incurred by T & E which are consistent with the National Contingency Plan. The Court, however, limited T & E's alleged damages and determined, inter alia, that T & E's claim for attorney's fees are not recoverable response costs under CERCLA.

At this time, neither counsel nor management can predict the outcome of the litigation.

(b) On December 6, 1982 an action was commenced in the Superior Court of New Jersey, Essex County, by Leslie Zwain et al. naming as defendants SLC, the Company and certain of the Company's subsidiaries alleged to be corporate successors to the former USRC and claiming, inter alia, that because of alleged contamination of the site in Orange, New

Jersey, described in (a) above, the plaintiffs have suffered business interruption, diminution of property values, mental anguish and loss of consortium. The plaintiffs seek compensatory and punitive damages in amounts to be established at trial.

On August 5, 1985, the Court dismissed plaintiffs' personal injury claims based upon plaintiffs' failure to institute legal action within the applicable statute of limitations period. On February 25, 1986 the Appellate Court reversed this dismissal and remanded the matter for further proceedings. Defendants' application for leave to appeal this issue to the New Jersey Supreme Court was subsequently denied.

As in the T & E Industries litigation, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of their rights to deny liability on the underlying claims.

(c) During 1984 and 1985 SLC, the Company and its two manufacturing subsidiaries, USR Lighting, Inc. and USR Metals, Inc., were named as defendants in six actions commenced in Superior Court, Essex, County, New Jersey. (A similar action has recently been filed by Deborah Shanks, et al. which contains generally the same issues.) These actions were brought on behalf of certain residents in the Townships of Montclair, Glen Ridge and West Orange, New Jersey and claim, inter alia, damages to land and personal injury in amounts to be proved at trial as well as punitive damages. Such alleged damages are claimed to have been caused by actual or threatened exposure of the property and persons of plaintiffs to levels of radon gas, a radioactive decay product of uranium or radium bearing ores, at levels above background levels naturally occurring and in excess of permissible levels established by the government for members of the public. Plaintiffs allege that such radon gas is a product of landfill obtained from the former USRC site in Orange, New Jersey.

By notice of motion returnable on July 18, 1986, the Company, certain of the Company's subsidiaries and SLC moved for summary judgment dismissing plaintiffs' claims based upon the continued lack of a factual nexus between their activities and the presence of radon in plaintiffs' homes. The motion was also based upon the inapplicability of the legal theories advanced by plaintiffs to these matters. By order dated August 22, 1986, the Court granted in part and denied in part the motion for summary judgment, ruling that there remained factual issues preventing the dismissal of certain claims which could not be resolved without a full plenary hearing. The Court dismissed all causes of action based upon manufacture of a defective product, breach of an express or implied warranty, battery and trespass. By the same order, the Court also consolidated these matters for discovery and trial purposes.

By order dated January 16, 1987, the Court granted the motion filed by the Company, certain of the Company's subsidiaries and SLC for severance and separate trial of certain liability and damage issues. The Court directed that these matters be tried in three separate phases: (1) a Phase I trial relating solely to plaintiffs' claims that the allegedly contaminated soil around plaintiffs' homes originated at the former USRC site in Orange, New Jersey; (2) if plaintiffs are successful in the Phase I trial, a second trial would follow encompassing all remaining liability issues; and (3) if plaintiffs are successful again in the Phase II trial, a third trial would follow relating to plaintiffs' personal injury and property damage claims.

On November 19 and 20, 1987 the defendants' motion for partial summary judgment regarding the absence of contaminated soil originating from the Orange site of the former USRC on plaintiffs' property was argued before the Superior Court of New Jersey, Law Division, Essex County. By letter opinion dated January 29, 1988, as supplemented by Judge Yanoff's letter of February 4, 1988, the Court granted-in-part and denied-in-part defendants' application. The Court adjudicated as a fact that there is no contaminated fill originating from the Orange site on six of the properties claiming to be contaminated and directed a hearing, with further expert testimony, regarding the alleged presence of contaminated sub-surface material on 14 properties as well as 30 remaining properties where certain bore hole sampling results were relied upon. On March 18, 1988, the Court denied plaintiffs' request for a rehearing on defendants' motion, as well as plaintiffs' request for leave to perform additional bore hole sampling and analysis to oppose defendants' application. Following a lengthy hearing in April and May, 1989, the court, by letter opinion dated July 12, 1989, determined such testimony to be inadmissible.

By notice of motion dated September 15, 1989 defendants renewed their motion for partial summary judgment adjudicating as a fact that there is not contaminated fill originating from the former United States Radium Corporation's former property in Orange on 18 plaintiff owned or occupied properties. Defendants also moved for the dismissal of all property damage and consequential damage claims of 22 plaintiffs, based on the absence of contaminated fill on certain properties. Both applications remain pending before the court.

Based upon the current state of the law and the absence of evidence indicating that the activities of the Company or its subsidiaries are in any way related to the alleged presence of radon in and around plaintiffs' homes, there exist numerous defenses going to the merits in these actions.

As in the T & E Industries and Zwain matters, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of rights.

At this time neither counsel nor management can predict the outcome of the litigation.

As in the matters identified in (a), (b) and (c) above, the same five primary insurance carriers of the Company and SLC have assumed the defense of the Company, certain of the Company's subsidiaries and SLC, with a complete reservation of rights (see Item (e)).

(d) U.S. Environmental Protection Agency Proceedings.

The U.S. Environmental Protection Agency ("EPA") has included the Orange, New Jersey site and the Montclair, Glen Ridge and West Orange sites on the national priorities list of the Comprehensive Environmental Response Compensation Liability Act of 1980, 42USC9601 et seq. and has notified the Company that it may be a potentially responsible party under that Act. The Company has provided requested information to the EPA. In view of the decision of Judge Wolin of the U.S. Federal District Court declaring SLC a liable party under CERCLA for the remediation and cleanup for the Orange site, the EPA recently finalized a Work Plan for completion of a Remedial Investigation and Feasibility Study RI/FS for cleanup of the Orange, New Jersey site. The RI/FS is scheduled to begin within the next several months. The RI/FS and supplemental RI/FS have been completed by EPA for the Glen Ridge, Montclair and West Orange sites. Recently, the Record of Decision ROD selecting the remedy for the sites was issued by EPA. Remedial work is scheduled to begin within the next several months.

Defendants agreed to erect a security fence around the Orange site. An Administrative Consent Order embodying this agreement was negotiated with EPA and the fence was recently completed. Four of the same five primary insurance carriers of the Company and SLC have assumed costs associated with the construction of the security fence.

At this time neither outside legal counsel nor management can predict the outcome of this matter.

The same five primary insurance carriers of the Company and SLC have assumed the bulk and possibly all of the costs associated with construction of the aforesaid security fence, depending upon the ultimate costs incurred (see Item (e)).

(e) 1985 Defense Agreement.

The Company is party to a Defense Agreement executed in 1985 with certain primary insurers under which such insurers are providing certain defense costs on behalf of their insureds. All of the insurance companies are participating in the 1985 Defense Agreement under "reservation of right" to disclaim the Agreement, deny coverage on the underlying claims and attempt to recover their respective costs to date. During 1989, certain of the insurance carriers under the 1985 Defense Agreement and other insurance carriers not party to the 1985 Defense Agreement have advised that they may refuse to further assist the Company with remedial expenses unless compelled to do so by judicial means.

(f) Proceedings Against Certain Insurers.

During 1984 the Company notified its insurance carriers as to the pendency of certain of the above described actions and requested that such carriers defend and indemnify the Company as a named insured under various primary insurance policies as well as excess coverage or umbrella policies.

All such carriers answered denying liability and denying any obligation to defend the Company against the claims asserted. Thereupon on August 20, 1984 the Company commenced an action in Superior Court of New Jersey, Essex County, naming as defendants all of the Company primary and excess coverage insurers and seeking judicial determination as to such carriers' duty to defend and to indemnify the Company and its subsidiaries and seeking reimbursement of costs expended by the Company for its defense, assumption of such defense on an ongoing basis, damages for wrongful declination to defend and punitive damages and counsel fees for willful failure to defend and indemnify the Company in each of the foregoing actions.

In September 1985, five primary insurance carriers of the Company and SLC assumed the defense of the Company and certain of its subsidiaries alleged to be successors in certain of the underlying actions described above, while reserving their right to disclaim liability. As a result of that Agreement, this action had, until recently, been stayed except with respect to applications by plaintiffs to require other primary insurance carriers not party to the Defense Agreement to provide for a defense and indemnification of the Company, certain of the Company's subsidiaries and SLC. By case management order dated March 21, 1989, the case has been re-activated to the extent that discovery will be taken concerning the existence, placement, negotiation and terms of insurance contracts potentially applicable to the underlying matters referred to in the Amended Complaint. The status of discovery between the parties will be discussed at the next case management conference scheduled on May 11, 1990.

While there can of course be no assurance as to the outcome of this action the Company has been advised that it has meritorious claims to support its actions for defense and indemnification.

Because of the uncertainties associated with the litigation described in (a) through (d) above, the liability of the Company and its subsidiaries alleged to be corporate successors to the former USRC cannot reasonably be estimated at this time, nor can an estimate of any ultimate liability or any insurance proceeds be made with any degree of certainty. Therefore, no such liability has been recorded in the financial statements.

(g) U.S. Nuclear Regulatory Commission Proceeding.

During the first quarter of 1989 the Company received from the U.S. Nuclear Regulatory Commission ("NRC") an order dated March 16, 1989 modifying certain operating licenses of SLC and demanding information respecting the Bloomsburg, Pennsylvania site of SLC. The order, which alleges in part that the Company is liable as a "corporate successor" of SLC, requires certain activities including the preparation and implementation of a plan for site characterization and decontamination of the Bloomsburg facility, and makes demand for certain information. On June 2, 1989, a Joint Characterization Plan prepared by the Company's consultant was submitted in response to the March 16, 1989 Order. That plan was rejected by the NRC Staff on June 16, 1989. An alternative plan was submitted in August 1989.

On August 21, 1989, the Staff issued a second immediately effective order requiring the named parties, including the Company, to establish a one million dollar trust fund to finance a broad plan to characterize the extent of contamination at the Bloomsburg site. The Company requested a hearing before the Atomic Safety and Licensing Board (the "Licensing Board") with respect to both the March and August orders. In addition, the Company filed a petition for Review before the United States Court of Appeal for the District of Columbia Circuit. By orders dated November 22, 1989 and December 1, 1989, the Licensing Board issued a stay of the March and August orders with respect to the Company. By order dated July 26, 1989, the District of Columbia Circuits stayed further action in that proceeding pending further action by the NRC on the August 16, 1989 order.

By order dated February 8, 1990, the Licensing Board reconsidered and modified the stay of the March and August Orders, and required the Company to make contributions to an escrow fund pursuant to the August 21, 1989 order. The Atomic Safety and Licensing Appeal Board head oral argument on the issue of reconsideration and modification of the stay on March 6, 1990. The Appeal Board has not yet issued a decision on the imposition of a stay. On March 8, 1990, the Appeal Board issued a stay of the February 8, 1990 order requiring the Company and the Staff to negotiate the terms of a security interest in lieu of cash payments into an escrow account. Those negotiations have not been completed. A hearing on the issues raised by the March and August orders is currently scheduled for June 1990 before the Licensing Board.

In view of the uncertainty of the proceeding, management and outside legal counsel are unable to express any judgment as to the outcome of this dispute.

<u>Summary.</u>

The defense costs of the above litigation and contingencies have been and are expected to continue to be material. If the Company is not successful in its pursuit of additional financial assistance from the insurance companies, it is uncertain whether current operations will generate sufficient working capital to enable the Company to continue its legal defense. Accordingly, the Company could be required to seek protection from its creditors under the federal bankruptcy code. The financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties.

(11) CERTAIN TRANSACTIONS

At December 31, 1989 the Company had a receivable of $36,272 from an entity majority owned by the Chairman. Additionally, at December 31, 1988 accounts payable included $50,000 due to Golden Oil which was paid in full during 1989.

(12) SIGNIFICANT CUSTOMERS

For the year ended December 31, 1989, the Company had sales to two customers of approximately 35% and 19% of total revenue. For the years ended December 31, 1988 and 1987 the Company had sales to one customer of approximately 24% and 10% of total revenue.

USR INDUSTRIES, INC.

SCHEDULE IV - INDEBTEDNESS OF AND TO RELATED PARTIES - NOT CURRENT

Name of Debtor	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Year ended December 31, 1987				
AeroPanel Corporation	$384,940	$ 21,080	$ 8,860	$397,160
MultiMetal Products Corporation	$ 76,687	$ 915	$ -	$ 77,602
Year ended December 31, 1988				
AeroPanel Corporation	$397,160	$ 23,172	$ 12,063	$408,269
MultiMetal Products Corporation	$ 77,602	$ 1,016	$ -	$ 78,618
Year ended December 31, 1989				
AeroPanel Corporation	$408,269	$ 16,078	$ 14,622	$409,725
MultiMetal Products Corporation	$ 78,618	$ 282	$ 78,900(1)	$ -
Ralph T. McElvenny, Jr., Chairman	$ -	$ 44,224	$ -	$ 44,224

(1) Balance was offset upon rescission of MultiMetals on April 1, 1989.

USR INDUSTRIES, INC.

SCHEDULE V - PROPERTY AND EQUIPMENT

Classification	Balance at Beginning of Period	Additions At Cost	Retirements	Other Changes Add (Deduct)	Balance at End of Period
Year ended December 31, 1987					
Land	$ -	500,000	-	-	500,000
Buildings	183,254	2,437,512	-	-	2,620,766
Machinery and equipment	875,342	4,338	(19,664)	-	860,016
Office furniture and fixtures	70,148	-	-	-	70,148
Leasehold improvements	559,646	15,315	-	-	574,961
	$1,688,390	2,957,165	(19,664)	-	4,625,891
Year ended December 31, 1988					
Land	$ 500,000	-	-	-	500,000
Buildings	2,620,766	-	-	-	2,620,766
Machinery and equipment	860,016	-	(10,500)	-	849,516
Office furniture and fixtures	70,148	5,070	(16,753)	-	58,465
Leasehold improvements	574,961	75,730	-	-	650,691
	$4,625,891	80,800	(27,253)	-	4,679,438
Year ended December 31, 1989					
Land	$ 500,000	-	-	(500,000) (1)	-
Buildings	2,620,766	-	-	(2,437,512) (1)	183,254
Machinery and equipment	849,516	20,800	-	41,814 (2)	912,130
Office furniture and fixtures	58,465	644	-	2,577 (2)	61,686
Leasehold improvements	650,691	-	-	(91,045) (1)	559,646
	$4,679,438	21,444	-	(2,984,166)	1,716,716

(1) Represents reduction in property and equipment as a result of the exclusion of the Partnership in the consolidation of the Company.

(2) Represents additions to property and equipment as a result of the rescission of MultiMetals on April 1, 1989.

USR INDUSTRIES, INC.

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes Add (Deduct)	Balance at End of Period
Year ended December 31, 1987					
Buildings	$ 93,409	12,727	-	-	106,136
Machinery and equipment	863,633	6,605	(19,664)	-	850,574
Office furniture and fixtures	51,172	6,560	-	-	57,732
Leasehold improvements	144,881	56,302	-	-	201,183
	$1,153,095	82,194	(19,664)	-	1,215,625
Year ended December 31, 1988					
Buildings	$ 106,136	80,436	-	-	186,572
Machinery and equipment	850,574	4,416	(10,500)	-	844,490
Office furniture and fixtures	57,732	4,494	(16,753)	-	45,473
Leasehold improvements	201,183	66,727	-	-	267,910
	$1,215,625	156,073	(27,253)	-	1,344,445
Year ended December 31, 1989					
Buildings	$ 186,572	3,054	-	(87,054)(1)	102,572
Machinery and equipment	844,490	23,853	-	-	868,343
Office furniture and fixtures	45,473	4,157	-	-	49,630
Leasehold improvements	267,910	55,669	-	(11,691)(1)	311,888
	$1,344,445	86,733	-	(98,745)	1,332,433

(1) Represents reduction in property and equipment as a result of the exclusion of the Partnership from the consolidation of the Company.

USR INDUSTRIES, INC.

SCHEDULE IX - SHORT-TERM BORROWINGS

Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period (A)	Weighted average interest rate during the period (B)
Year ended December 31, 1988					
Notes Payable - Bank	$147,954	12.50%	$180,000	$159,729	11.80%
Year ended December 31, 1989					
Notes Payable - Bank	$179,196	12.50%	$204,532	$180,150	12.95%

(A) Average amount outstanding during the year is computed by dividing the total of monthly outstanding principal balances by 12.

(B) Weighted average interest rate for the year is computed by dividing the actual interest incurred from short-term borrowings by the average short-term borrowings.

USR INDUSTRIES, INC.

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

Item	Charged to Costs and Expenses		
	Years Ended December 31,		
	1989	1988	1987
Maintenance and repairs	$ 4,431	$75,743	$10,817
Taxes, other than payroll and income taxes:			
Property	$ 494	$53,107	$ 5,918
Franchise	1,997	4,164	4,940
	$ 2,491	$57,271	$10,858

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Golden Oil Company:

We have audited the consolidated financial statements and the financial statement schedules of Golden Oil Company and subsidiaries (formerly Pinnacle Petroleum, Inc.) as listed in the index on pages 14 and 15 of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Golden Oil Company and subsidiaries as of December 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles. In addition, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as whole, present fairly the information required to be included therein.

COOPERS & LYBRAND

Houston, Texas
March 20, 1990

GOLDEN OIL COMPANY

Consolidated Balance Sheets

	December 31, 1989	December 31, 1988
ASSETS		
Current assets:		
Cash and cash equivalents ($298,000 restricted at December 31, 1988)	$ 468,351	388,691
Short-term investments	942,000	149,000
Accounts receivable:		
Oil and gas sales	253,467	147,963
Drilling and operations	136,865	198,586
Other	95,118	73,894
Less allowance for doubtful accounts	(58,000)	(50,000)
Prepaid expenses and other	6,889	15,699
Total current assets	1,844,690	923,833
Property and equipment, at cost:		
Oil and gas properties (using the successful efforts method of accounting)		
Producing properties	7,095,636	4,202,246
Non-producing properties	15,600	106,728
Wells in progress	-	26,225
Total oil and gas properties	7,111,236	4,335,199
Inventory of well equipment	133,610	68,329
Other property and equipment	453,293	449,888
	7,698,139	4,853,416
Less accumulated depreciation, depletion, amortization and impairment reserve	(3,250,049)	(2,877,730)
Net property and equipment	4,448,090	1,975,686
Notes receivable-stockholder	195,000	345,000
Investment in Old Golden Oil Company	-	1,460,712
Other assets	116,871	150,720
	$ 6,604,651	4,855,951

(Continued)

GOLDEN OIL COMPANY

Consolidated Balance Sheets (Continued)

	December 31, 1989	December 31, 1988
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 239,998	-
Accounts payable:		
Drilling and operations	462,871	335,361
Production and other	207,602	168,175
Accrued expenses	132,273	105,691
Total current liabilities	1,042,744	609,227
Long-term debt	239,998	-
Accounts payable - affiliate	-	324,522
Minority interest - Regal Petroleum, Ltd.	-	1,064,277
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, par value $.01; authorized 9,662,500 shares, none issued	-	-
Common stock, par value $.01; authorized 15,000,000 shares; issued and outstanding 6,964,333 shares in 1989 and 2,123,735 shares in 1988	69,643	21,237
Class B convertible common stock, par value $.01; authorized 3,500,000 shares; issued and outstanding 158,954 shares in 1989 and 274,628 shares in 1988	1,590	2,746
Additional paid-in capital	12,189,414	9,118,930
Accumulated deficit	(6,938,738)	(6,284,988)
Total stockholders' equity	5,321,909	2,857,925
	$ 6,604,651	4,855,951

See Notes to Consolidated Financial Statements.

GOLDEN OIL COMPANY

Consolidated Statements of Operations

	Years Ended December 31, 1989	1988	1987
Revenues:			
Oil and gas production	$ 1,105,370	603,907	720,123
Interest income	56,013	141,871	254,630
Gain on sale of property and equipment	29,132	1,165	9,340
Other	27,195	16,584	45,015
Total revenues	1,217,710	763,527	1,029,108
Costs and expenses:			
Production costs	559,289	498,512	482,362
Depreciation, depletion and amortization	505,271	565,714	573,918
Impairment reserve on non-producing properties	15,666	12,423	80,292
Dry hole costs and abandonments	-	44,007	20,520
General and administrative	818,123	900,725	861,927
Interest expense	20,460	-	-
Total costs and expenses	1,918,809	2,021,381	2,019,019
nings (loss) from operations	(701,099)	(1,257,854)	(989,911)
Minority interest in net loss of Regal Petroleum, Ltd.	144,200	273,905	203,950
Equity in net loss of Old Golden Oil Company	(96,851)	(51,046)	-
Net earnings (loss)	$ (653,750)	(1,034,995)	(785,961)
Net earnings (loss) per common share (after preferred stock dividends of $20,000 in 1987)	$ (.17)	(.43)	(.35)
Weighted average number of common shares outstanding	3,763,625	2,395,033	2,333,222

See Notes to Consolidated Financial Statements.

GOLDEN OIL COMPANY

Consolidated Statements of Stockholders' Equity

	COMMON STOCK		CLASS B COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	TOTAL STOCKHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	EQUITY
Balance at December 31, 1986	1,811,958	$ 18,120	274,628	$ 2,746	$8,747,596	$(4,464,032)	$ 4,304,430
Net earnings (loss)	-	-	-	-	-	(785,961)	(785,961)
Common stock issued in purchase of Pinnacle Operating Company	100,000	1,000	-	-	124,000	-	125,000
Common stock issued in purchase of producing properties	207,552	2,075	-	-	257,365	-	259,440
Common stock issued to Directors for Directors' fees	13,565	136	-	-	18,614	-	18,750
Acquisition of treasury stock (par value method)	(7,479)	(75)	-	-	(9,274)	-	(9,349)
Dividend on redeemable preferred stock ($.10 per share)	-	-	-	-	(20,000)	-	(20,000)
Balance at December 31, 1987	2,125,596	21,256	274,628	2,746	9,118,301	(5,249,993)	3,892,310
Net earnings (loss)	-	-	-	-	-	(1,034,995)	(1,034,995)
Acquisition of treasury stock (par value method)	(20,049)	(201)	-	-	(23,189)	-	(23,390)
Common stock issued to Directors for Directors' fees	18,188	182	-	-	23,818	-	24,000
Balance at December 31, 1988	2,123,735	$ 21,237	274,628	$ 2,746	$9,118,930	$(6,284,988)	$ 2,857,925

(Continued)

GOLDEN OIL COMPANY

Consolidated Statements of Stockholders' Equity (Continued)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	CLASS B COMMON STOCK SHARES	CLASS B COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1988	2,123,735	$ 21,237	274,628	$ 2,746	$ 9,118,930	$(6,284,988)	$2,857,925
Net earnings (loss)	-	-	-	-	-	(653,750)	(653,750)
Acquisition of treasury stock (par value method)	(225,898	(2,259)	-	-	(176,741)	-	(179,000)
Common stock issued in purchase of Old Golden Oil Company	3,626,265	36,263	-	-	2,456,197	-	2,492,460
Common stock issued in purchase of minority stock-holders' of Regal Petroleum, Ltd.	1,015,185	10,152	-	-	687,771	-	697,923
Exercise of outstanding Warrants	240,401	2,404	-	-	57,697	-	60,101
Conversion of Class B Common Stock to Common Stock	115,674	1,156	(115,674)	(1,156)	-	-	-
Common stock issued to Directors for Directors' fees	68,971	690	-	-	45,560	-	46,250
Balance at December 31, 1989	6,964,333	$ 69,643	158,954	$ 1,590	$12,189,414	$(6,938,738)	$ 5,321,909

See Notes to Consolidated Financial Statements.

GOLDEN OIL COMPANY

Consolidated Statements of Cash Flows

	Years Ended December 31, 1989	1988	1987
Cash flows from operating activities:			
Net earnings (loss)	$ (653,750)	(1,034,995)	(785,961)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	505,271	565,714	573,918
Impairment reserve on non-producing properties	15,666	12,423	80,292
Dry hole costs and abandonments	-	44,007	20,520
Amortization of cost in excess of net assets acquired	19,705	19,705	19,705
Equity in net loss of Old Golden Oil Company	96,851	51,046	-
Minority interest in net loss of Regal Petroleum, Ltd.	(144,200)	(273,905)	(203,950)
Gain on sale of property and equipment	(29,132)	(1,165)	(9,340)
Common stock issued to directors	46,250	24,000	18,750
Changes in assets and liabilities net of purchase of subsidiaries:			
(Increase) decrease in accounts receivable, net	57,144	45,096	(37,411)
(Increase) decrease in prepaid expenses and other	8,810	(4,908)	1,074
(Increase) decrease in accounts payable	(46,174)	(104,137)	84,110
(Increase) decrease in accrued expenses	26,582	16,246	(20,185)
(Increase) decrease in accounts payable - affiliate	(77,761)	324,522	-
Net cash provided by (used in) operating activities	$ (174,738)	(316,351)	(258,478)

(Continued)

GOLDEN OIL COMPANY

Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31, 1989	1988	1987
Cash flows from investing activities:			
Cash acquired through purchase of subsidiaries	$ 428,426	-	16,108
Proceeds from sale of property and equipment	80,029	19,025	20,248
Proceeds from sale of other assets	14,306	-	-
Decrease in short-term investments	99,000	1,042,999	901,662
Additions of oil and gas properties	(360,360)	(113,472)	(346,186)
Additions of other property and equipment	(6,942)	(92,297)	(55,409)
Decrease in minority interest in net assets of Regal Petroleum, Ltd.	-	(18,867)	-
Investment in Old Golden	-	(1,511,758)	-
Increase in notes receivable - stockholder	-	(220,000)	(125,000)
Investment in other assets	(162)	(91,605)	-
Net cash provided by (used in) investing activities	254,297	(985,975)	411,423
Cash flows from financing activities:			
Payment and current maturities of long-term debt	(60,000)	-	-
Treasury stock acquisitions	-	(23,390)	(9,349)
Exercise of common stock Warrants	60,101	-	-
Redemption of redeemable preferred stock	-	-	(450,000)
Dividends on redeemable preferred stock	-	-	(20,000)
Net cash provided by (used in) financing activities	$ 101	(23,390)	(479,349)

(Continued)

GOLDEN OIL COMPANY

Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31, 1989	1988	1987
Net increase (decrease) in cash and cash equivalents	$ 79,660	(1,325,716)	(326,404)
Cash and cash equivalents at beginning of year	388,691	1,714,407	2,040,811
Cash and cash equivalents at end of year	$ 468,351	388,691	1,714,407

Supplemental Schedule of Noncash Investing and Financing Activities:

In September 1989, the mergers of Regal and Old Golden with the Company were approved by their respective stockholders. In connection with the merger agreements, the Company issued 1,015,185 shares of the Company's Common Stock to Regal stockholders (other than the Company's wholly owned subsidiary) and 3,626,265 shares to the Old Golden stockholders (other than Golden Oil Holding Corporation). See Note 3.

During 1989, the Chairman repaid two notes of $75,000 each plus the $10,000 in related accrued interest and a $19,000 advance by surrendering 716,000 shares of Old Golden Common Stock which was subsequently exchanged for 225,898 shares of Golden Common Stock and cancelled by the Company.

During 1989, certain unrelated holders of Class B Common Stock converted 115,674 shares of Class B Common Stock to Common Stock of Pinnacle on a share for share basis.

During 1987, the Company purchased certain oil and gas working interests and a subsidiary for 207,522 and 100,000 shares of unregistered Common Stock, respectively.

See Notes to Consolidated Financial Statements.

GOLDEN OIL COMPANY

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

As more fully discussed in Note 3, during 1989 the stockholders of Pinnacle Petroleum, Inc. ("Pinnacle"), Golden Oil Company ("Old Golden") and Regal Petroleum, Ltd. ("Regal") agreed to and approved a proposed merger transaction. In connection with the merger transactions, Pinnacle changed its name to Golden Oil Company (the "Company"). The consolidated financial statements of the Company include its wholly owned subsidiaries, PinReg Corporation d/b/a Regal Petroleum, Ltd. ("PinReg"); Spur Petroleum, Inc. ("Spur"); Pinnacle Operating Company; Woodstead Petroleum Corporation; Golden Oil Holding Corporation ("Holding") and Golden Resources, Inc. ("GRI"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Oil and Gas Properties

The Company follows the successful efforts method of accounting for its oil and gas properties. Under the successful efforts method, costs associated with the acquisition, drilling and equipping of successful exploratory wells and all developmental costs are capitalized and amortized using the unit-of-production method. Geological and geophysical costs, delay rentals and drilling costs of unsuccessful exploratory wells are charged to expense as incurred.

Proceeds from the sale of an interest in a non-producing oil and gas property are credited to the asset account until all capitalized costs are recovered relative to that property. Any proceeds received in excess of cost are recorded as a gain.

The Company reevaluates the carrying value of its non-producing properties from time to time in light of economic circumstances and provides an impairment reserve which is charged to operations in the year in which such determination is made.

Property and Equipment

Property and equipment are being depreciated over their estimated useful lives using the straight line method. Expenditures for maintenance and repairs which do not improve or extend the useful lives are charged to operations as incurred, while expenditures for major renewals and betterments are capitalized. Dispositions of assets are reflected at their historical costs less accumulated depreciation, with the resulting gain or loss reflected in operations currently.

Earnings Per Share

Earnings per share of Common Stock and common equivalent share are computed by dividing net earnings after preferred stock dividend requirements by the weighted average number of shares of Common Stock outstanding during each period. Exercise of options and warrants to acquire shares of Common Stock are included in the computation of earnings per share of Common Stock to the extent that they are dilutive. Fully diluted earnings per share are not presented because such data would not be significantly different from the amounts shown.

Income Taxes

The Company and its wholly owned subsidiaries join in filing a consolidated federal income tax return. Investment tax credits are accounted for by the flow-through method.

Treasury Stock

The Company records purchases of treasury stock on the par value method. Differences between proceeds for reissuances of treasury stock and average cost are charged to retained earnings or credited thereto to the extent of prior charges and thereafter to additional paid-in capital.

Short-Term Investments and Cash Equivalents

The Company has short-term investments which consist primarily of certificates of deposit with federally insured banks and savings and loans with maturities of greater than three months. The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Financial Accounting Standards Board's Statement Releases

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 96. This statement requires substantial changes in the method of accounting for deferred income taxes. The FASB has recently delayed the effective date of this statement until 1992. The Company has no deferred taxes recorded and is currently in a net operating loss carryforward position. The Company has not yet adopted this statement and accordingly, the impact on the Company's financial condition and results of operations has not been determined; however, the Company does not expect its adoption to have a material adverse effect.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the presentation format for the 1989 consolidated financial statements with no effect on reported results of operations.

GOLDEN OIL COMPANY

Notes to Consolidated Financial Statements (Continued)

(2) OIL AND GAS PRODUCING ACTIVITIES

The Company's oil and gas operations are conducted entirely in the United States. Aggregate capitalized costs relating to these operations and related accumulated depreciation, depletion, amortization and impairment reserves are as follows:

CAPITALIZED COSTS

	At December 31,		
	1989	1988	1987
Oil and gas properties:			
Proved	$ 7,095,636	4,202,246	4,211,437
Unproved	15,600	106,728	135,925
Wells in progress	-	26,225	-
	7,111,236	4,335,199	4,347,362
Less accumulated depreciation, depletion, amortization and impairment reserve	(2,961,820)	(2,674,869)	(2,285,041)
Net oil and gas properties	$ 4,149,416	1,660,330	2,062,321

Costs incurred in the Company's oil and gas operations and related accumulated depreciation, depletion and amortization per equivalent unit-of-production are as follows:

	Years Ended December 31,		
	1989	1988	1987
Property acquisition costs:			
Proved	$ 2,955,422	925	511,694
Unproved	-	19,746	4,341
	$ 2,955,422	20,671	516,035
Exploration costs	$ 6,761	65,951	71,386
Development costs	$ -	39,476	65,443
Depletion and depreciation	$ 419,903	459,033	488,381
Depletion and depreciation per equivalent unit of production	$ 5.77	10.04	9.87

SALES AND REVENUES FROM OIL AND GAS PRODUCING ACTIVITIES

The Company sells its oil and gas production on currently available markets and pursuant to contracts with various purchasers. For the year ended December 31, 1989 sales to two purchasers accounted for approximately 38% and 16% of total revenues. For the year ended December 31, 1988 sales to two purchasers accounted for approximately 21% and 12% of total revenues.

For the year ended December 31, 1987 sales to two purchasers accounted for approximately 21% and 12% of total revenues. Management believes that if such purchasers were not available, the Company would be able to sell its production to other purchasers on equivalent terms and conditions.

(3) ACQUISITIONS AND MERGERS

On September 1, 1988, Holding acquired 4,687,500 shares of Common Stock, $.01 par value per share, of Old Golden in a direct, privately negotiated transaction for a total purchase price of $1,500,000 or $.32 per share. Holding was owned 51% by the Company and 49% by Regal, a majority owned subsidiary of the Company. This purchase constituted approximately 28.9% of the shares of Common Stock of Old Golden outstanding after completion of the purchase transaction. At December 31, 1988 the Company accounted for its investment in Old Golden using the equity method. At December 31, 1988 the Company had a payable of $324,522 due to Old Golden which consists of $298,000 of restricted cash for the remaining purchase price plus $26,522 of accrued interest.

On May 25, 1989, the Board of Directors of Regal agreed, subject to stockholder approval, to consolidate fully with the Company through a merger of Regal into a wholly owned subsidiary of the Company, in which the Company would exchange .14 shares of the Company's Common Stock for each outstanding share of Regal Common Stock not owned by the Company's wholly owned subsidiary.

On June 13, 1989, the Board of Directors of Old Golden approved an agreement, subject to stockholder approval, to consolidate by merger with another wholly owned subsidiary of the Company through the exchange of .3155 shares of the Company's Common Stock for each outstanding share of Old Golden Common Stock not owned by Holding.

On September 11, 1989 the foregoing merger transactions were approved by Regal and Old Golden stockholders at their respective Special Meetings. Accordingly, effective September 14, 1989 the Company issued to Regal minority stockholders 1,015,185 shares of the Company's Common Stock and 3,626,265 shares to Old Golden stockholders (other than Holding) valued at approximately $3,190,383. The statement of operations reflects the Company's equity in net loss of Old Golden and the net loss of the minority stockholders of Regal through September 14, 1989 after which date the operations of Old Golden and Regal are fully consolidated with the Company.

The Regal and Old Golden merger transactions have been accounted for using the purchase method. The purchase prices have been allocated to the identifiable assets and liabilities of Regal and Old Golden based on their respective estimated fair market values and is summarized as follows:

Total assets	$4,140,538
Liabilities	950,155
Purchase price of net assets acquired	$3,190,383

The following table summarizes the unaudited pro forma results of operations for the years ended December 31, 1989 and 1988, had these mergers consummated on January 1, 1988.

	For the Twelve Months Ended	
	1989 (Unaudited)	1988 (Unaudited)
Revenues	$2,041,368	2,009,198
Net earnings (loss)	$ (851,400)	(1,658,344)
Earnings (loss) per share	$ (.12)	(.24)

The pro forma financial information is not necessarily indicative of the results of operations that would have occurred had these mergers occurred on January 1, 1988 or of results that may occur in the future.

(4) LONG-TERM DEBT

At December 31, 1989, the Company had borrowings of $479,996 outstanding under a bank loan bearing interest at 1.5% over prime rate (10.5% prime at December 31, 1989). Under the terms of the amended loan agreement dated September 5, 1988, monthly principal payments of approximately $20,000 plus accrued interest commenced October 1, 1989 and continue until December 1, 1991, at which time the remaining outstanding principal balance shall be due and payable. The debt agreement contains restrictive covenants which, among other things, establishes minimum levels of working capital, tangible net worth and precludes the payment of dividends. The loan is collateralized by certain oil and gas properties of Golden Resources, Inc. Interest paid on long-term debt by the Company during 1989 amounted to $15,568.

Aggregate maturities associated with the Company's long-term debt at December 31, 1989 are $239,998 and $239,998 for the years 1990 and 1991.

(5) CAPITAL STOCK

An Employees' Stock Option Plan covering 184,000 shares of Common Stock was approved by stockholders at the Annual Meeting held July 31, 1984. On July 30, 1986 the Board of Directors granted options to two officers of the Company exercisable at prices per share of $1.49 and $1.35, respectively. One officer's option for 150,000 shares was exercisable in whole or in part through July 30, 1991. The other option for 30,000 shares expired upon the officers' departure from the Company. The options under this Employees Stock Option Plan were effectively cancelled upon the Amendment of such plan as described more fully below.

On December 22, 1989 the Company's stockholders approved amendment of the 1984 Employees' Stock Option Plan by increasing the number of shares of the Company's Common Stock with respect to which options may be granted from 184,000 to 1,400,000 shares. At its meeting on December 22, 1989 the Board of Directors established a Stock Option Committee consisting of three independent persons to administer the Employee Stock Option Plan. The Option

Committee granted options covering 1,050,000 shares to the Company's Chairman at an exercise price (market price at the date thereof) of $.25 per share at a meeting completed on December 28, 1989. Such options may be exercisable in whole or in part through December 21, 1999. After a Meeting of the Board of Directors held subsequent to the close of the fiscal year, grants to other eligible employees under the plan were approved by the Board subject to action by the independent Option Committee.

On December 22, 1989 the Company's stockholders approved a stock option plan covering 100,000 shares for the Company's nonemployee directors (the "Directors Plan"). Under the Directors Plan, each nonemployee director will be granted 10,000 shares per year at the market price at the date of grant. Half of the optioned shares may be exercised at any time from the date of grant with the balance exercisable after the first anniversary of the date of grant. On December 22, 1989, 30,000 such options were granted at the exercise price of $.25 per share.

At the Annual Meeting held November 14, 1986 stockholders approved the issuance of a new class of common stock designated Class B Common Stock ("Class B Common"). The holders of Class B Common, voting as a separate class, have the right to elect a simple majority of the Board of Directors and vote as a separate class on major corporate transactions. Holders of the Class B Common vote share-for-share with holders of the Common Stock. Holders of Common Stock, but not of Class B Common, received a Warrant Dividend exercisable at various prices during two exercise periods, the last of which expired on November 27, 1989. See Note 6 below. The Class B Common was not entitled to such Warrant Dividend but otherwise participates equally share-for-share with the Common Stock in dividends and distributions.

The Common Stock is listed on NASDAQ and continues to be publicly tradeable. Class B Common shares are not publicly tradeable, and are only transferable to persons within defined categories of "permitted transferees," but may be converted into Common Stock at any time on a share-for-share basis.

The Company also has an authorized class of Preferred Stock, par value $.01, of which there are currently 9,662,500 shares authorized, but none are currently issued or outstanding.

(6) WARRANTS

In conjunction with the issuance in June 1985 to Titan Wells, Inc. (whose principal stockholder is the Company's Chairman) 675,000 shares of Series A Convertible Voting Preferred Stock, the Company also issued warrants to purchase up to 200,000 shares of common stock. The warrants are exercisable from March 1, 1986 through December 31, 1990 at an exercise price of $3.00 per share which is subject to an anti-dilution adjustment.

The Board of Directors declared a dividend of Common Stock Purchase Warrants (the "Warrants") which entitled all stockholders of record on November 20, 1986 to receive one warrant to purchase one share of Common Stock for every five shares of Common Stock owned. The Warrants are exercisable during two 60-day periods, the first exercise period started on

April 1, 1988, the beginning of which period had, pursuant to terms of the Warrant, been postponed for 180 days). The exercise price of the Warrants during the first exercise period was reduced from $1.35 to $1.00 per share. Subsequent to the price adjustment, certain factors including continued volatility of oil and gas prices and generally unfavorable equity markets for small oil and gas companies, caused the market price for the Company's common stock to decline below the adjusted exercise price. As a result, the Company returned the warrants to the stockholders who had elected to exercise during the first period. The second exercise period, scheduled to commence on April 1, 1989, also was postponed by the Company for an additional 180 days with the exercise price during the second exercise period adjusted to $.25 per share. There were a total of 363,082 Warrants issued and outstanding and 240,401 of that amount were exercised during the second exercise period, of which 229,321 were exercised by the Chairman of the Company. The remaining unexercised Warrants have expired.

(7) INCOME TAXES

For federal income tax purposes, at December 31, 1989, the Company had aggregate net operating loss carryforwards of approximately $8,407,200, subject to certain limitations, which expire at various dates through the year 2004 and investment tax credit carryforwards of approximately $360,900, subject to certain limitations, which expire at various dates through the year 2000.

For financial reporting purposes, at December 31, 1989, the Company had approximately $12,291,400 of aggregate net operating loss carryforwards subject to certain limitations, and approximately $363,600, subject to certain limitations, of net investment tax credit carryforwards. Additionally, the Company has Federal statutory depletion carryforwards for financial and tax purposes of approximately $3,236,000. Certain items of income and expense, primarily depreciation, depletion and intangible drilling costs, are recognized for income tax purposes in amounts and periods which differ from those recognized for financial reporting purposes. Investment tax credit carryovers for income tax and financial reporting purposes have been reduced in accordance with the Tax Reform Act of 1986.

(8) CERTAIN TRANSACTIONS

During 1989, 1988 and 1987 each Director received $10,500, $12,000 and $5,000, respectively, paid in kind in newly issued shares of Common Stock as partial compensation for their services and to provide them an equity stake in the future growth and development in the Company.

On December 31, 1987 the Company advanced the Chairman, who is also a stockholder, a total of $125,000 with interest from such date at the rate of 10% per year. The Company has as collateral a 22% working interest in certain gas producing properties owned by the Chairman. In addition, the Company advanced to the Chairman $70,000 on December 31, 1988 with interest from such date until maturity at December 31, 1989 at the rate of 10% per year with interest payable at June 30, 1989 and at maturity. The maturity date of both notes were extended to December 31, 1990. This advance is collateralized by certain oil and gas properties owned by the Chairman.

Separately, Regal advanced $150,000 to the Chairman in the form of two notes in the amount of $75,000 each in January 1988. These notes were collateralized by 75,000 shares of Common Stock of the Company and matured on August 31, 1989. These notes bore interest at the rate of 10% per year. The notes and accrued interest was repaid on September 1, 1989 by the Chairman by surrendering to the Company 640,000 shares of Old Golden Common Stock. All accrued interest on the remaining advances was paid by the Chairman through December 31, 1989.

At December 31, 1989 the Company had receivables of $48,208 from companies owned by the Chairman.

(9) COMMITMENTS AND CONTINGENCIES

The Company leases its administrative office located at 550 Post Oak Boulevard, Suite 550, Houston, Texas 77027 which is under an initial three year lease term through December 31, 1990. Ownership of the building, which has approximately 54,000 net rentable square feet, includes persons related to the Company.

The Company also leases an operating field office in Denver, Colorado from an unaffiliated party under a four year lease through June 30, 1990. Approximately fifty percent of the total occupancy costs under this lease are paid by Regal. In addition, the Company leases an operating field office in Tulsa, Oklahoma from an unaffiliated party under a three-year lease through March 31, 1991.

The Company incurred $66,994 of rent expense during 1989 relating to the operating leases as above. At December 31, 1989, the aggregate future minimum lease payments under the Company's noncancellable operating leases are as follows:

1990	$64,703
1991	4,573

(10) SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED)

The following quantity and discounted estimates of future cash flows are based on prices as of the respective year ends. No price escalations were assumed except for gas sales made under terms of contracts which include fixed and determinable escalations. Operating costs, production taxes, windfall profit tax, royalties and estimated future capital expenditures to complete development of the proved reserves were deducted in determining the quantity and discounted estimates of future cash flows. Such costs were estimated based on current costs and were not adjusted to anticipate increases due to inflation or other factors. No deductions were made for general overhead, depreciation or other indirect costs.

GOLDEN OIL COMPANY

Notes to Consolidated Financial Statements (Continued)

ANALYSIS OF CHANGES IN PROVED RESERVES

	Years Ended December 31,					
	1989		1988		1987	
	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)
PROVED DEVELOPED AND UNDEVELOPED RESERVES:						
Beginning of year	152,200	1,040,206	155,501	1,150,190	101,429	592,791
Revisions of previous estimates	(26,673)	(303,091)	22,703	(2,743)	33,737	(38,653)
Sales of minerals in place	(8,063)	(8,395)	-	-	-	-
Extensions, discoveries and other additions	-	-	344	-	1,055	38,053
Production	(46,113)	(160,329)	(26,443)	(115,569)	(28,181)	(127,733)
Purchases of minerals in place	1,599,322	918,213	95	8,328	47,461	685,732
End of year	(1) 1,670,673	(1) 1,486,604	(2) 152,200	(2) 1,040,206	(3) 155,501	(3) 1,150,190
PROVED DEVELOPED RESERVES:						
Beginning of year	152,200	865,044	148,951	968,805	94,880	589,025
End of year	(1) 733,079	(1) 1,486,604	(2) 152,200	(2) 865,044	(3) 148,951	(3) 968,805

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(1) Proved Reserves and proved developed reserves at December 31, 1989 include all reserves of the Company, Regal, Old Golden and other wholly owned subsidiaries of the Company on a fully consolidated basis.

(2) Proved Reserves include 37,731 barrels and 198,261 Mcf and Proved Developed Reserves included 37,731 barrels and 155,586 Mcf of reserves attributable to the minority interest in Regal Petroleum, Ltd.

(3) Proved Reserves include 45,790 barrels and 235,622 Mcf and Proved Developed Reserves included 45,790 barrels and 192,222 Mcf of reserves attributable to the minority interest in Regal Petroleum, Ltd.

GOLDEN OIL COMPANY

Notes to Consolidated Financial Statements (Continued)

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN

The standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves is as follows:

	At December 31,		
	1989	1988	1987
Future cash inflows	$ 34,693,248	4,726,000	4,786,756
Future production and development costs	(11,431,598)	(1,992,901)	(1,819,475)
Future income tax expenses	(3,543,690)	-	-
Future net cash flows	19,717,960	2,733,099	2,967,281
10% annual discount for estimated timing of cash flows	(10,530,203)	(1,040,356)	(1,030,339)
Standardized measure of discounted future net cash flows	$ 9,187,757 (1)	1,692,743 (2)	1,936,942 (3)

Future net cash flows were computed using year-end prices and costs, and year-end statutory tax rates that relate to existing proved oil and gas reserves.

(1) Proved Reserves and proved developed reserves at December 31, 1989 include all reserves of the Company, Regal, Old Golden and other wholly owned subsidiaries of the Company on a fully consolidated basis.

(2) Includes $396,296 of estimated discounted future net revenues attributable to the minority interest in Regal Petroleum, Ltd.

(3) Includes $507,810 of estimated discounted future net revenues attributable to the minority interest in Regal Petroleum, Ltd.

GOLDEN OIL COMPANY

Notes to Consolidated Financial Statements (Continued)

The following are the principal sources of change in the standardized measure of discounted future net cash flows:

	Years Ended December 31,		
	1989	1988	1987
Standardized measure of discounted future net cash flows, beginning of year	$ 1,692,743	1,936,942	1,318,750
Sale of oil and gas produced, net of production costs	(546,081)	(105,395)	(237,761)
Net changes in prices and production costs	93,366	(464,369)	(238,497)
Purchases of minerals in place	9,235,206	3,723	729,285
Sales of minerals in place	(26,009)	-	-
Extensions and discoveries	-	4,048	53,519
Revisions of previous quantity estimates	(401,333)	124,100	179,771
Net change in income taxes	(1,029,409)	-	-
Accretion of discount	169,274	193,694	131,875
Standardized measure of discounted future net cash flows, end of year	$ 9,187,757(1)	1,692,743(2)	1,936,942(3)

Future net cash flows were computed using year-end prices and costs, and year-end statutory tax rates that relate to existing proved oil and gas reserves.

(1) Proved Reserves and proved developed reserves at December 31, 1989 include all reserves of the Company, Regal, Old Golden and other wholly owned subsidiaries of the Company on a fully consolidated basis.

(2) Includes $396,296 of estimated discounted future net revenues attributable to the minority interest in Regal Petroleum, Ltd.

(3) Includes $507,810 of estimated discounted future net revenues attributable to the minority interest in Regal Petroleum, Ltd.

GOLDEN OIL COMPANY

SCHEDULE V - PROPERTY AND EQUIPMENT

Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes Add (Deduct)	Balance At End of Period
Year Ended December 31, 1987					
Oil and gas properties	$3,892,776	605,626	(151,040)	-	4,347,362
Inventory of well equipment	25,466	15,927	-	14,012 (1)	55,405
Other property and equipment	444,376	39,482	(8,277)	900 (1)	476,481
	$4,362,618	661,035	(159,317)	14,912	4,879,248
Year Ended December 31, 1988					
Oil and gas properties	$4,347,362	113,472	(125,635)	-	4,335,199
Inventory of well equipment	55,405	12,924	-	-	68,329
Other property and equipment	476,481	79,373	(105,966)	-	449,888
	$4,879,248	205,769	(231,601)	-	4,853,416
ar Ended December 31, 1989					
Oil and gas properties	$4,335,199	360,360	(179,385)	2,595,062 (2)	7,111,236
Inventory of well equipment	68,329	-	(20,130)	-85,411 (2)	133,610
Other property and equipment	449,888	6,942	-	(3,537) (2)	453,293
	$4,853,416	367,302	(199,515)	2,676,936	7,698,139

(1) Amount includes property and equipment acquired through purchase of Pinnacle Operating Company in exchange for the Company's Common Stock.

(2) Amount includes net property and equipment (after certain adjustments for the purchase method of accounting) acquired through the mergers of Old Golden Oil Company and Regal Petroleum, Ltd.

GOLDEN OIL COMPANY

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes Add (Deduct)	Balance At End of Period
Year Ended December 31, 1987					
Oil and gas properties	$1,835,980	568,673(1)	(119,612)	-	2,285,041
Other property and equipment	107,026	85,537	(8,277)	-	184,286
	$1,943,006	654,210	(127,889)	-	2,469,327
Year Ended December 31, 1988					
Oil and gas properties	$2,285,041	471,456(1)	(81,628)	-	2,674,869
Other property and equipment	184,286	106,681	(88,106)	-	202,861
	$2,469,327	578,137	(169,734)	-	2,877,730
.r Ended December 31, 1989					
Oil and gas properties	$2,674,869	435,569(1)	(148,618)	-	2,961,820
Other property and equipment	202,861	85,368	-	-	288,229
	$2,877,730	520,937	(148,618)	-	3,250,049

(1) Includes impairment reserve on non-producing properties of $80,292, $12,423 and $15,666 for 1987, 1988 and 1989, respectively.

GOLDEN OIL COMPANY

Notes to Consolidated Financial Statements (Continued)

GOLDEN OIL COMPANY

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Charged to Other Accounts - Describe	Deductions Describe (1)	Balance at End of Period
Year Ended December 31, 1987					
Allowance for doubtful accounts	$ 43,300	5,000	-	-	48,300
Year Ended December 31, 1988					
Allowance for doubtful accounts	$ 48,300	28,172	-	(26,472)	50,000
ar Ended December 31, 1989					
Allowance for doubtful accounts	$ 50,000	8,471	-	(471)	58,000

) Accounts written off, net of recoveries and allowance adjustment.

GOLDEN OIL COMPANY

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

Item	Charged to Costs and Expenses		
	Years Ended December 31,		
	1989	1988	1987
Taxes, other than payroll and income taxes:			
Production	$ 49,019	11,065	17,092
Property	13,887	14,558	17,955
Franchise	12,569	11,380	20,418
	$ 75,475	37,003	55,465

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The definitive Proxy Statement in connection with the 1990 Annual Meeting of Stockholders to be filed by the Corporation pursuant to Regulation 14A of the Securities Exchange Act of 1934 not later than 120 days after December 31, 1989 is incorporated herein by reference.

Item 11. Executive Compensation.

The definitive Proxy Statement in connection with the 1990 Annual Meeting of Stockholders to be filed by the Corporation pursuant to Regulation 14A of the Securities Exchange Act of 1934 not later than 120 days after December 31, 1989 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The definitive Proxy Statement in connection with the 1990 Annual Meeting of Stockholders to be filed by the Corporation pursuant to Regulation 14A of the Securities Exchange Act of 1934 not later than 120 days after December 31, 1989 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The Definitive Proxy Statement in connection with the 1990 Annual Meeting of Stockholders to be filed by the Corporation pursuant to Regulation 14A of the Securities Exchange Act of 1934 not later than 120 days after December 31, 1988 is incorporated herein by reference.

USR INDUSTRIES, INC.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) **Exhibits, Financial Statements and Financial Statement Schedules.**

(1) and (2) **Financial Statements and Financial Statement Schedules.**

See Index to Financial Statements and Related Schedules included in Item 8 - Financial Statements and Supplementary Data.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the Company's last fiscal quarter of 1989.

(c) Exhibits

The following exhibits are filed as part of this report. Where such filing is made by incorporation by reference to a previously filed statement on report, such statement or report is identified in parenthesis.

3. Articles of Incorporation and Bylaws

3.1 Certificate of Incorporation (incorporated by reference to Exhibit 3(a) of Form 8-B dated october 15, 1980)
3.2 Amendment to Certificate of Incorporation filed on June 13, 1984 (incorporated by reference to Exhibit 3 of Form 10-K for year ended December 31, 1984)
3.3 Bylaws (incorporated by reference to Exhibit 3(b) of Form 8-B dated October 15, 1980)

10. Material Contracts

10.1 Stock Purchase Agreement between USR Industries, Inc. and Pinnacle Petroleum, Inc. dated July 19, 1983 and Modification Agreement thereto dated September 18, 1983 (incorporated by reference to Exhibits 10(a) and 10(b) of Form 10-K of Pinnacle Petroleum, Inc. for the year ended August 31, 1983)(File No. 0-9946)
10.2 Assets Purchase Agreement between USR Lighting, Inc. and AeroPanel Corporation (incorporated by reference to Exhibit 2(a) of Form 8-K dated March 8, 1985)
10.3 Assets Purchase Agreement between USR Metals, Inc. and MultiMetal Products Corporation (incorporated by reference to Exhibit 2(b) of Form 8-K dated March 8, 1985)
10.4 Lease dated as of December 12, 1983 between USR Lighting, Inc. and 661 Myrtle Property Co., Ltd. (incorporated by reference to Exhibit 10 of Form 10-K for year ended December 31, 1984)
10.5 Employee's Incentive Stock Option Plan (incorporated by reference to Exhibit 10 of Form 10-K for year ended December 31, 1984)

22.1 Subsidiaries of the Company (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

USR INDUSTRIES, INC.

By: /s/ Ralph T. McElvenny, Jr.
Ralph T. McElvenny, Jr.
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date: April 10, 1990	By: /s/ Ralph T. McElvenny, Jr. Ralph T. McElvenny, Jr. Chairman of the Board (Principal Executive and Financial Officer)
Date: April 10, 1990	By: /s/ Anthony N. Cialone Anthony N. Cialone, Director
Date: April 10, 1990	By: /s/ Stephen C. Miller Stephen C. Miller Treasurer (Principal Accounting Officer)
Date: April 10, 1990	By: /s/ Charles R. White Charles R. White, Director

Exhibit 22

NAME OF SUBSIDIARY	STATE OF INCORPORATION
550 POB, Inc.	Delaware
Metal Fabricators, Inc.	Nevada
U. S. Natural Resources, Inc.[1]	Texas
USR Chemicals, Inc.[1]	New Jersey
USR Lighting, Inc.	New Jersey
USR Metals, Inc.	Pennsylvania
Unatco Funding Corporation[1]	Panama

1 Inactive.

B-(C0067) 02 00006 L J815-1252
9C1110 08/21/90

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1989 or tax year beginning ...., ending ....

▶ Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

OMB No. 1545-0123

1989

Check if a -
A Consolidated return [X]
B Personal holding co. [ ]
C Personal service corp. (as defined in Temp. Regs. sec. 1.441-4T - see instructions) [ ]

Use IRS label. Otherwise, please print or type.

Name: USR INDUSTRIES, INC. AND SUBSIDIARIES
Number and street (or P.O. box number if mail is not delivered to street address): 550 POST OAK BLVD., SUITE 545
City or town, state, and ZIP code: HOUSTON, TEXAS 77027

D Employer identification number: 22-2303184
E Date incorporated: 05-14-80
F Total assets (see Specific Instructions): 1,813,027.

G Check applicable boxes: (1) [ ] Initial return (2) [ ] Final return (3) [ ] Change in address

Section	Line	Description		Box	Amount
Income	1a	Gross receipts or sales 490,957. b Less returns and allowances ______ c Bal ▶		1c	490,957.
	2	Cost of goods sold and/or operations (Schedule A, line 7)		2	222,081.
	3	Gross profit (line 1c less line 2)		3	268,876.
	4	Dividends (Schedule C, line 19)		4	
	5	Interest	SEE STATEMENT 4	5	47,469.
	6	Gross rents		6	93,176.
	7	Gross royalties		7	
	8	Capital gain net income (attach Schedule D (Form 1120))		8	
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)		9	-118,601.
	10	Other income (see instructions - attach schedule)	SEE STATEMENT 5	10	9,599.
	11	**Total income** - Add lines 3 through 10 ▶		11	300,519.
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)		12	120,500.
	13a	Salaries and wages 88,225. b Less jobs credit ______ c Balance ▶		13c	88,225.
	14	Repairs		14	
	15	Bad debts		15	15,100.
	16	Rents		16	27,257.
	17	Taxes	SEE STATEMENT 6	17	20,467.
	18	Interest		18	21,509.
	19	Contributions (see instructions for 10% limitation)		19	
	20	Depreciation (attach Form 4562)	20: 61,969.		
	21	Less depreciation claimed on Schedule A and elsewhere on return	21a: 1,775.	21b	60,194.
	22	Depletion		22	
	23	Advertising		23	
	24	Pension, profit-sharing, etc., plans		24	2,775.
	25	Employee benefit programs		25	1,435.
	26	Other deductions (attach schedule)	SEE STATEMENT 7	26	378,436.
	27	**Total deductions** - Add lines 12 through 26 ▶		27	735,898.
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)		28	-435,379.
	29	Less: a Net operating loss deduction (see instructions)	29a: 574,085.		
		b Special deductions (Schedule C, line 20)	29b:	29c	574,085.
Tax and Payments	30	Taxable income - Line 28 less line 29c		30	-1,009,464.
	31	**Total tax** (Schedule J, line 10)		31	NONE
	32	Payments: a 1988 overpayment credited to 1989	32a		
		b 1989 estimated tax payments	32b		
		c Less 1989 refund applied for on Form 4466	32c ( ) d Bal ▶ 32d		
		e Tax deposited with Form 7004	32e		
		f Credit from regulated investment companies (attach Form 2439)	32f		
		g Credit for Federal tax on fuels (attach Form 4136)	32g	32h	
	33	Enter any **penalty** for underpayment of estimated tax - Check ▶ [ ] if Form 2220 is attached		33	
	34	**Tax due** — If the total of lines 31 and 33 is larger than line 32h, enter amount owed		34	NONE
	35	**Overpayment** — If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		35	NONE
	36	Enter amount of line 35 you want: **Credited to 1990 estimated tax** ▶ NONE **Refunded** ▶		36	NONE

This is your FILE COPY
Prepared for reference
COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS
HOUSTON, TEXAS

Please Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Ralph J. Miller ▶ Signature of officer
5/7/90 Date
President ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ ORIGINAL SIGNED BY JOHN G. PIRSCH, JR.
Date: AUG 28 1990
Check if self-employed [ ]
Preparer's social security no.: 458-80-4575
Firm's name (or yours if self-employed) and address ▶ COOPERS & LYBRAND, 1100 LOUISIANA, SUITE 4100, HOUSTON, TEXAS
E.I. No. ▶ 13-5218870
ZIP code ▶ 77002

H763

Form **7004** (Rev. September 1989)
Department of the Treasury
Internal Revenue Service

Application for Automatic Extension of Time To File Corporation Income Tax Return

OMB No. 1545-0233
Expires 8-31-92

Name of corporation: USR Industries, Inc.

Employer identification number: 23-2303184

Number and street (or P.O. box number if mail is not delivered to street address): 550 Post Oak Blvd., Suite 545

City or town, state, and ZIP code: Houston, Texas 77027

Check type of return to be filed:

- [X] Form 1120
- [ ] Form 1120-A
- [ ] Form 1120-DF
- [ ] Form 1120F
- [ ] Form 1120-FSC
- [ ] Form 1120-H
- [ ] Form 1120L
- [ ] Form 1120-ND
- [ ] Form 1120-PC
- [ ] Form 1120-POL
- [ ] Form 1120-REIT
- [ ] Form 1120-RIC
- [ ] Form 1120S
- [ ] Form 990-C
- [ ] Form 990-T

Form 1120F filers: Check here ▶ ☐ if you do not have an office or place of business in the U.S.

1a I request an automatic 6-month extension of time until September 15, 19 90 to file the income tax return of the corporation named above for ▶ ☒ calendar year 19 89, or ▶ ☐ tax year beginning ...., 19 ...., and ending ...., 19 .....

b If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period ☐ Consolidated return to be filed

2 If this application also covers subsidiaries to be included in a consolidated return, complete the following:

Name and address of each member of the affiliated group	Employer identification number	Tax period
USR Metals, Inc. 550 Post Oak Blvd., Suite 545 Houston, Texas 77027	22-2270166	12-31-89
USR Lighting, Inc., 550 Post Oak Blvd., Suite 545 Houston, Texas 77027	22-2270165	12-31-89
USR Chemicals, Inc., 550 Post Oak Blvd., Suite 545 Houston, Texas 77027	22-2270153	12-31-89
U.S. Natural Resources Inc. 550 Post Oak Blvd., #545 Houston, Texas 77027	22-2303171	12-31-89
Metal Fabricators, Inc. 550 Post Oak Blvd., Suite 545 Houston, Texas 77027	76-0159561	12-31-89
550 POB, Inc 550 POst Oak Blvd., Suite 545 Houston, Texas 77027	76-0231826	12-31-89

3 Tentative tax (see instructions)	3	None
4 Credits:		
a Overpayment credited from prior year	4a	
b Estimated tax payments for the tax year	4b	
c Less refund for the tax year applied for on Form 4466	4c	( ) Bal ▶ 4d
e Credit from regulated investment companies	4e	
f Credit for Federal tax on fuels	4f	
5 Total—Add lines 4d through 4f	5	None
6 **Balance due—Line 3 less line 5. Deposit this amount with a Federal Tax Deposit (FTD) Coupon** (see instructions)	6	None

Signature—Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, and to the best of my knowledge and belief, the statements made are true, correct, and complete.

(Signature of officer or agent) — Treasurer (Title) — 3/12/90 (Date)

Form 1120 (1989) USR INDUSTRIES, INC. AND SUBSIDIARIES 22-2303184 Page 2

Schedule A Cost of Goods Sold and/or Operations (See instructions for line 2, page 1)

1	Inventory at beginning of year	1	25,179.
2	Purchases	2	52,311.
3	Cost of labor	3	91,091.
4a	Additional section 263A costs (see instructions - attach schedule) SEE STATEMENT 13	4a	-801.
b	Other costs (attach schedule) SEE STATEMENT 13	4b	77,765.
5	Total - Add lines 1 through 4b	5	245,545.
6	Inventory at end of year	6	23,464.
7	Cost of goods sold and/or operations - Line 5 less line 6. Enter here and on line 2, page 1	7	222,081.

8a Check all methods used for valuing closing inventory:
(i) [ ] Cost (ii) [X] Lower of cost or market as described in Regulations section 1.471-4 (see instructions)
(iii) [ ] Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)
(iv) [ ] Other (Specify method used and attach explanation) ▶
b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) [ ]
c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 8c
d Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation? [ ] Yes [X] No
e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation [ ] Yes [X] No

Schedule C Dividends and Special Deductions (See instructions.)

		(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		see instr	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		41 176	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		47 059	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9	Total - Add lines 1 through 8. See instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14	Income from controlled foreign corporations under subpart F (attach Forms 5471)			
15	Foreign dividend gross-up (section 78)			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
19	Total dividends - Add lines 1 through 17. Enter here and on line 4, page 1 ▶			
20	Total deductions - Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶			

Schedule E Compensation of Officers (See instructions for line 12, page 1)

Complete Schedule E only if total receipts (line 1a, plus lines 4 through 10, of page 1, Form 1120) are $500,000 or more

	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
1	SEE STATEMENT 14		%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					120,500.
3	Less: Compensation of officers claimed on Schedule A and elsewhere on return					( )
4	Compensation of officers deducted on line 12, page 1					120,500.

Schedule J Tax Computation

1 Check if you are a member of a controlled group (see sections 1561 and 1563) ▶ [X]			
2 If the box on line 1 is checked:			
a Enter your share of the $50,000 and $25,000 taxable income bracket amounts (in that order): (i) ___ (ii) ___			
b Enter your share of the additional 5% tax (not to exceed $11,750) ▶ ___			
3 Income tax (see instructions to figure the tax) Check this box if the corporation is a qualified personal service corporation (see instructions) ▶ [ ]		3	NONE
4a Foreign tax credit (attach Form 1118)	4a		
b Possessions tax credit (attach Form 5735)	4b		
c Orphan drug credit (attach Form 6765)	4c		
d Credit for fuel produced from a nonconventional source (see instructions)	4d		
e General business credit Enter here and check which forms are attached [X] Form 3800 [ ] Form 3468 [ ] Form 5884 [ ] Form 6478 [ ] Form 6765 [ ] Form 8586	4e NONE		
f Credit for prior year minimum tax (attach Form 8801)	4f		
5 Total - Add lines 4a through 4f		5	NONE
6 Line 3 less line 5		6	NONE
7 Personal holding company tax (attach Schedule PH (Form 1120))		7	
8 Recapture taxes Check if from [ ] Form 4255 [ ] Form 8611		8	
9a Alternative minimum tax (attach Form 4626)		9a	NONE
b Environmental tax (attach Form 4626)		9b	
10 Total tax - Add lines 6 through 9b Enter here and on line 31 page 1		10	NONE

Additional Information (See instruction F)

	Yes	No
H Refer to the list in the instructions and state the principal: (1) Business activity code no ▶ 3725 (2) Business activity ▶ MANUFACTURER (3) Product or service ▶ DIALS		
I (1) Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)	X	
If "Yes," attach a schedule showing (a) name, address, and identifying number, (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year. SEE STATEMENT 15		
(2) Did any individual, partnership, corporation, estate, or trust at the end of the tax year own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (c)		X
(a) Attach a schedule showing name, address, and identifying number		
(b) Enter percentage owned ▶ N/A		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions.) **Note:** If "Yes," the corporation may have to file Form 5472 N/A		
If "Yes," enter owner's country ▶ N/A		
J Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.)	X	
If "Yes," attach Form 5471 for each such corporation		
K At any time during the tax year, did the corporation have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
(See instruction F and filing requirements for form TD F 90-22.1.) If "Yes," enter name of foreign country ▶		
L Was the corporation the grantor of, or transferor to, a foreign trust that existed during the current tax year, whether or not the corporation has any beneficial interest in it?		X
If "Yes," the corporation may have to file Forms 3520, 3520-A, or 926		
M During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		X
If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on **Form 851**, Affiliations Schedule, for each subsidiary		
N During this tax year, did the corporation maintain any part of its accounting/tax records on a computerized system?	X	
O Check method of accounting (1) [ ] Cash (2) [X] Accrual (3) [ ] Other (specify) ▶		
P Check this box if the corporation issued publicly offered debt instruments with original issue discount [ ]		
If so, the corporation may have to file Form 8281		
Q Enter the amount of tax-exempt interest received or accrued during the tax year ▶ NONE		
R Enter the number of shareholders at the end of the tax year if there were 35 or fewer shareholders ▶		

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Form 1120 (1989) USR INDUSTRIES, INC. AND SUBSIDIARIES 22-2303184 Page 4

Schedule L Balance Sheets

Assets	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1 Cash		13,418.		44,751.
2 a Trade notes and accounts receivable	152,966.		175,518.	
b Less allowance for bad debts		152,966.		175,518.
3 Inventories		25,066.		22,550.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule)	SEE STMT 22	398,473.		297,870.
7 Loans to stockholders				44,223.
8 Mortgage and real estate loans				
9 Other investments (attach schedule)	SEE STMT 23	1,748,050.		406,698.
10 a Buildings and other depreciable assets	1,650,881.		1,658,633.	
b Less accumulated depreciation	1,245,700.	405,181.	1,310,423.	348,210.
11 a Depletable assets	123,966.		117,704.	
b Less accumulated depletion	123,966.		117,704.	
12 Land (net of any amortization)				
13 a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets (attach schedule)	SEE STMT 24	550,369.		473,207.
15 Total assets		3,293,523.		1,813,027.
Liabilities and Stockholders' Equity				
16 Accounts payable		315,986.		264,631.
17 Mtges., notes, bonds payable in less than 1 year		147,954.		123,954.
18 Other current liabilities (attach schedule)	SEE STMT 24	249,902.		142,555.
19 Loans from stockholders				
20 Mtges., notes, bonds payable in 1 year or more				
21 Other liabilities (attach schedule)	SEE STMT 25	745,852.		78,777.
22 Capital stock a Preferred stock				
b Common stock	994,655.	994,655.	994,655.	994,655.
23 Paid-in or capital surplus	SEE STMT 26	365,461.		365,461.
24 Retained earnings - Appropriated (attach schedule)				
25 Retained earnings - Unappropriated		473,713.		-157,009.
26 Less cost of treasury stock		( )		( )
27 Total liabilities and stockholders' equity		3,293,523.		1,813,027.

Schedule M-1 Reconciliation of Income per Books With Income per Return (You are not required to complete this schedule if the total assets on line 15, column (d), of Schedule L are less than $25,000.)

1 Net income per books	-630,722.	7 Income recorded on books this year not included in this return (itemize) a Tax-exempt interest SEE STATEMENT 31	1,421,981.
2 Federal income tax			
3 Excess of capital losses over capital gains	1,609,189.		
4 Income subject to tax not recorded on books this year (itemize) SEE STATEMENT 30	227.	8 Deductions on this return not charged against book income this year (itemize) a Depreciation	
5 Expenses recorded on books this year not deducted on this return (itemize) a Depreciation	2,754.	b Contributions carryover SEE STATEMENT 32	14,300.
b Contributions carryover			
c Travel and entertainment	3,664.		
SEE STATEMENT 30	15,790.	9 Total of lines 7 and 8	1,436,281.
6 Total of lines 1 through 5	1,000,902.	10 Income (line 28, page 1)-line 6 less line 9	-435,379.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 25, Schedule L) (You are not required to complete this schedule if the total assets on line 15, column (d), of Schedule L are less than $25,000.)

1 Balance at beginning of year	473,713.	5 Distributions a Cash	
2 Net income per books	-630,722.	b Stock	
3 Other increases (itemize)		c Property	
		6 Other decreases (itemize)	
		7 Total of lines 5 and 6	
4 Total of lines 1, 2, and 3	-157,009.	8 Balance at end of year (line 4 less line 7)	-157,009.

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SCHEDULE D (Form 1120)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

To be filed with Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, and certain Forms 990-T

OMB No 1545-0123

1989

Name USR INDUSTRIES, INC. AND SUBSIDIARIES

Employer identification number 22-2303184

Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less

(a) Kind of property and description (Example, 100 shares of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis, plus expense of sale	(f) Gain (or loss) ((d) less (e))
1					

2 Short-term capital gain from installment sales from Form 6252, line 22 or 30	2	
3 Unused capital loss carryover (attach computation)	3	(246,776.)
4 Net short-term capital gain or (loss) (Combine lines 1 through 3.)	4	-246,776.

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

(a)	(b)	(c)	(d)	(e)	(f)
5 SEE STATEMENT 36					-1,609,189.

6 Enter gain from Form 4797, line 7 or 9	6	
7 Long-term capital gain from installment sales from Form 6252, line 22 or 30	7	
8 Net long-term capital gain or (loss) (Combine lines 5 through 7)	8	-1,609,189.

Part III Summary of Parts I and II

9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11 Total of lines 9 and 10 Enter here and on Form 1120, line 8, page 1, or the proper line on other returns	11	

Note: If losses exceed gains, see instructions on capital losses for explanation of capital loss carrybacks

- 02 00011 ?815-1252
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Form **851**
(Rev March 1989)
Department of the Treasury
Internal Revenue Service

Affiliations Schedule

(To be filed with each consolidated income tax return)

Tax Year Ended DECEMBER 31, 19 89

OMB No 1545-0025
Expires 2-29-92

Common parent corporation	Employer identification number
USR INDUSTRIES, INC.	22-2303184

Number and street (or P O box number if mail is not delivered to street address)
550 POST OAK BLVD., SUITE 545

City or town, state, and ZIP code
HOUSTON TEXAS 77027

Part I Prepayment Credits

No	Name and address of corporation	Employer identification number	Prepayment Credits: Portion of Form 7004 tax deposits	Prepayment Credits: Portion of estimated tax credits and deposits
1	Common parent corporation			
	Subsidiary corporations			
2	USR METALS, INC. 550 POST OAK BLVD., SUITE 545 HOUSTON TEXAS 77027	22-2270166		
3	USR LIGHTING, INC. 550 POST OAK BLVD., SUITE 545 HOUSTON TEXAS 77027	22-2270165		
4	USR CHEMICALS, INC. 550 POST OAK BLVD., SUITE 545 HOUSTON TEXAS 77027	22-2270153		
5	550 POB, INC. 550 POST OAK BLVD., SUITE 545 HOUSTON TEXAS 77027	76-0231826		
6	METALS FABRICATOR INC 550 POST OAK BLVD., SUITE 545 HOUSTON TEXAS 77027	76-0159561		
7	USR NATURAL RESOURCES, INC. 550 POST OAK BLVD.,SUITE 545 HOUSTON TEXAS 77027	22-2303171		
	Totals (Must equal amounts shown on the consolidated tax return) . . . . ▶			

Part II Voting Stock Information, etc.

No	Principal business activity	Did the subsidiary make any nondividend distributions? (See Instructions) Yes	No	Capital stock outstanding at beginning of year — Number of shares: Voting	Nonvoting	Stock holdings at beginning of year — Voting: Number of shares	Percent voting power	Nonvoting: Number of shares	Percent	Owned by corporation number
1	Common parent corporation									
	Subsidiary corporations									
2	MANUFACTURER			100		100				6
3	REAL ESTATE			100		100				6
4	INACTIVE			100		100				1
5	HOLDING COMPANY			1000		1000				1
6	HOLDING COMPANY			100		100				1
7	INACTIVE			100		100				1

For Paperwork Reduction Act Notice, see Instructions.

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Form 851 (Rev 3-89)

Part III Changes in Stock Holdings During the Year

Corporation		Stockholder (Corporation No.)*	Change in stock holdings during the year						
			Date	Changes				Shares held at end of year	
				Shares acquired		Shares disposed of		Voting	Nonvoting
No.*	Name			Voting	Nonvoting	Voting	Nonvoting	Percent voting power	Percent of shares

* The numbers used must agree with the corporation numbers in Part I, page 1

If additional stock was issued, or if any stock was retired during the year, show the dates and amounts for these transactions

If the equitable owners of any capital stock shown above were other than the holders of record, give full details.

Remarks ....

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Part IV Additional Information (See Instructions for Part IV for Questions 1 through 4.)

No.*	Name	Answer to Question 1: Yes	No	If yes, list and describe each class of stock

No.*	Name	Answer to Question 2: Yes	No	If yes, but such stock was not owned for the entire tax year, provide dates to show period of ownership

No.*	Name	Answer to Question 3: Yes	No	If yes, but such stock was not owned for the entire tax year, provide dates to show period of ownership

No.*	Name	Answer to Question 4(a): Yes	No	If yes, enter the percentage asked for in Item 4(b)	If yes, enter the percentage asked for in Item 4(c)	If yes, enter the percentage asked for in Item 4(d)

No.*	Item 4(e) - Description of arrangements (*The numbers used must agree with the corporation numbers in Part I, page 1.)

Signature

Under penalties of perjury, I declare that I have examined this form, including accompanying statements, and to the best of my knowledge and belief, it is true, correct, and complete for the tax year as stated.

▶ Ralph T. McElvenny 9/7/90 ▶ President

Signature of officer Date Title

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- 02 00014 L 815-1252
9X1800 08/21/90

Form **3800**
Department of the Treasury
Internal Revenue Service

General Business Credit

▶ Attach to your tax return.
▶ See separate instructions.

OMB No 1545-0895
1989
Attachment Sequence No 24

Name(s) as shown on return: USR INDUSTRIES, INC. AND SUBSIDIARIES
Identifying number: 22-2303184

Part I Tentative Credit

1	Current year investment credit (Form 3468, Part I, line 6)	1	
2	Current year jobs credit (Form 5884, line 4)	2	
3	Current year credit for alcohol used as fuel (Form 6478, line 11)	3	
4	Current year credit for increasing research activities (Form 6765, line 25)	4	
5	Current year low-income housing credit (Form 8586, line 6)	5	
6	**Current year general business credit** – Add lines 1 through 5	6	
7	Passive activity credits included on lines 1 through 5 (see instructions)	7	
8	Subtract line 7 from line 6	8	
9	Passive activity credits allowed in 1989 (see instructions)	9	
10	Carryforward of general business credit, WIN credit or ESOP credit to 1989 (see instructions)	10	29,365.
11	Carryback of general business credit to 1989	11	
12	Tentative general business credit - Add lines 8 through 11	12	29,365.

Part II General Business Credit Limitation Based on Amount of Tax

13a	Individuals - Enter amount from Form 1040, line 40				
b	Corporations - Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1)			13	NONE
c	Other filers - Enter regular tax before credits from your return				
14	Credits that reduce regular tax before the general business credit -				
a	Credit for child and dependent care expense (Form 2441)	14a			
b	Credit for the elderly or the disabled (Schedule R, Form 1040)	14b			
c	Foreign tax credit (Form 1116 or Form 1118)	14c			
d	Possessions tax credit (Form 5735)	14d			
e	Mortgage interest credit (Form 8396)	14e			
f	Credit for fuel from a nonconventional source	14f			
g	Orphan drug credit (Form 6765)	14g			
h	Total credits that reduce regular tax before the general business credit Add lines 14a through 14g and enter here			14h	
15	Net regular tax - Subtract line 14h from line 13			15	NONE
16	Tentative minimum tax				
a	Individuals - Enter amount from Form 6251, line 17				
b	Corporations - Enter amount from Form 4626, line 13			16	NONE
c	Estates and Trusts - Enter amount from Form 8656, Part III, line 10				
17	Net income tax				
a	Individuals - Add line 15 above and line 19 of Form 6251 Enter the total				
b	Corporations - Add line 15 above and line 13 of Form 4626 less line 15 of Form 4626 Enter the total			17	NONE
c	Other filers - See instructions				
18	If line 15 is more than $25,000, enter 25% of the excess			18	
19	Subtract line 16 or line 18, whichever is greater, from line 17 Enter the result If less than zero, enter zero			19	NONE
20	**General business credit** – Enter the smaller of line 12 or line 19 Also enter this amount on Form 1040, line 44, Form 1120, Schedule J, line 4e, Form 1120-A, Part I, line 2a; or on the appropriate line of your return. (Individuals, estates, and trusts see instructions if the credit of increasing research activities is claimed C corporations see instructions if the investment credit is claimed or if you have undergone a post-1986 "ownership change")			20	NONE

- 02 00015 L 315-1252
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Form **4562**
Department of the Treasury
Internal Revenue Service

Depreciation and Amortization

▶ See separate instructions.
▶ Attach this form to your return.

OMB No 1545-0172
1989
Attachment Sequence No 67

Name(s) as shown on return: USR INDUSTRIES, INC. AND SUBSIDIARIES
Identifying number: 22-2303184

Business or activity to which this form relates: GENERAL DEPRECIATION

Part I Depreciation (Use Part III for automobiles, certain other vehicles, computers, and property used for entertainment, recreation, or amusement)

Section A. – Election To Expense Depreciable Assets (Section 179)

1	Maximum dollar limitation	1	10,000.
2	Total cost of section 179 property placed in service during the tax year (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	200,000.
4	Reduction in limitation (Subtract line 3 from line 2, but do not enter less than -0-)	4	
5	Dollar limitation for tax year (Subtract line 4 from line 1, but do not enter less than -0-)	5	

	(a) Description of property	(b) Date placed in service	(c) Cost	(d) Elected cost
6				

7	Listed property - Enter amount from line 28	7	
8	Tentative deduction (Enter the lesser of (a) line 6 plus line 7, or (b) line 5)	8	
9	Taxable income limitation (Enter the lesser of (a) Taxable income, or (b) line 5) (see instructions)	9	
10	Carryover of disallowed deduction from 1988 (see instructions)	10	
11	Section 179 expense deduction (Enter the lesser of (a) line 8 plus line 10, or (b) line 9)	11	
12	Carryover of disallowed deduction to 1990 (Add lines 8 and 10 less line 11) ▶	12	

Section B. – MACRS Depreciation

(a) Classification of property	(b) Date placed in service	(c) Basis for depreciation (Business use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
13 General Depreciation System (GDS) (see instructions) For assets placed in service ONLY during tax year beginning in 1989						
a 3-year property						
b 5-year property						
c 7-year property		7,752.				1,039.
d 10-year property						
e 15-year property						
f 20-year property						
g Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
h Nonresidential real property			31.5 yrs	MM	S/L	
			31.5 yrs	MM	S/L	
14 Alternative Depreciation System (ADS) (see instructions) For assets placed in service ONLY during tax year beginning in 1989						
a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

15	Listed property - Enter amount from line 27	15	
16	GDS and ADS deductions for assets placed in service before 1989 (see instructions)	16	1,999.

Section C. – ACRS and/or Other Depreciation

17	Property subject to section 168(f)(1) election (see instructions)	17	
18	ACRS and/or other depreciation (see instructions)	18	58,931.

Section D. – Summary

19	Total (Add deductions on line 11 and lines 13 through 18) Enter here and on the appropriate line of your return (Partnerships and S corporations - see instructions)	19	61,969.
20	For assets shown above placed in service during the current year, enter the portion of the basis attributable to section 263A costs (see instructions)	20	

For Paperwork Reduction Act Notice, see page 1 of the separate instructions.

Part II Amortization

(a) Description of property	(b) Date amortization begins	(c) Cost or other basis	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
21 Amortization for property placed in service only during tax year beginning in 1989					
22 Amortization for property placed in service before 1989				22	
23 Total. Enter here and on "Other Deductions" or "Other Expenses" line of your return				23	

Part III Listed Property. – Automobiles, Certain Other Vehicles, Computers, and Property Used for Entertainment, Recreation, or Amusement

If you are using the standard mileage rate or deducting vehicle lease expense, complete columns (a) through (d) of Section A, all of Section B, and Section C if applicable

Section A. – Depreciation (Caution: See instructions for limitations for automobiles.)

24a Do you have evidence to support the business use claimed? ☐ Yes ☐ No 24b If "Yes," is the evidence written? ☐ Yes ☐ No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business use percentage (%)	(d) Cost or other basis (see instructions for leased property)	(e) Basis for depreciation - business use only	(f) Recovery period	(g) Method	(h) Depreciation deduction	(i) Elected section 179 cost
25 Property used more than 50% in a trade or business								
26 Property used 50% or less in a trade or business:								
						S/L		
						S/L		
						S/L		
27 Total (Enter here and on line 15, page 1)						27		
28 Total (Enter here and on line 7, page 1)							28	

Section B. – Information Regarding Use of Vehicles – If you deduct expenses for vehicles.

- Always complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.
- If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
29 Total business miles driven during the year (DO NOT include commuting miles)												
30 Total commuting miles driven during the year . . .												
31 Total other personal (noncommuting) miles driven												
32 Total miles driven during the year (Add lines 29 through 31)												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
33 Was the vehicle available for personal use during off-duty hours?												
34 Was the vehicle used primarily by a more than 5% owner or related person?												
35 Is another vehicle available for personal use?												

Section C. – Questions for Employers Who Provide Vehicles for Use by Their Employees

(Answer these questions to determine if you meet an exception to completing Section B. **Note:** Section B must always be completed for vehicles used by sole proprietors, partners, or other more than 5% owners or related persons.)

	Yes	No
36 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
37 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? (See instructions for vehicles used by corporate officers, directors, or 1% or more owners.)		
38 Do you treat all use of vehicles by employees as personal use?		
39 Do you provide more than five vehicles to your employees and retain the information received from your employees concerning the use of the vehicles?		
40 Do you meet the requirements concerning qualified automobile demonstration use (see instructions)?		

Note: If your answer to 36, 37, 38, 39, or 40 is "Yes," you need not complete Section B for the covered vehicles

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Form **4626**

Department of the Treasury
Internal Revenue Service

Alternative Minimum Tax - Corporations (Including environmental tax)

▶ See separate instructions.
▶ Attach to your tax return.

OMB No 1545-0175

1989

Name as shown on tax return: USR INDUSTRIES, INC. AND SUBSIDIARIES

Employer identification number: 22-2303184

Line	Description	Sub-line	Sub-amount	Line	Amount
1	Taxable income or (loss) before net operating loss deduction			1	-435,379.
2	**Adjustments:**				
a	Depreciation of tangible property placed in service after 1986	2a	1,549.		
b	Amortization of certified pollution control facilities placed in service after 1986	2b			
c	Amortization of mining exploration and development costs paid or incurred after 1986	2c			
d	Amortization of circulation expenditures paid or incurred after 1986 (personal holding companies only)	2d			
e	Basis adjustments in determining gain or loss from sale or exchange of property	2e			
f	Long-term contracts entered into after February 28, 1986	2f			
g	Installment sales of certain property	2g			
h	Merchant marine capital construction funds	2h			
i	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2i			
j	Tax shelter farm activities (personal service corporations only)	2j			
k	Passive activities (closely held corporations and personal service corporations only)	2k			
l	Certain loss limitations	2l			
m	Other	2m			
n	Combine lines 2a through 2m			2n	1,549.
3	**Tax preference items:**				
a	Depletion	3a			
b	Tax-exempt interest from private activity bonds issued after August 7, 1986	3b			
c	Appreciated property charitable deduction	3c			
d	Add lines 3a through 3c			3d	
e	Intangible drilling costs	3e			
f	Reserves for losses on bad debts of financial institutions	3f			
g	Accelerated depreciation of real property placed in service before 1987	3g			
h	Accelerated depreciation of leased personal property placed in service before 1987 (personal holding companies only)	3h			
i	Amortization of certified pollution control facilities placed in service before 1987	3i			
j	Add lines 3e through 3i			3j	
4	Combine lines 1, 2n, 3d, and 3j			4	-433,830.
5	**Excess book income adjustment:**				
a	Enter your adjusted net book income	5a	-630,722.		
b	Subtract line 4 from line 5a (even if one or both of these figures is a negative number) (Enter zero if the result is zero or less)	5b	NONE		
c	Multiply line 5b by 50%			5c	NONE
6	Combine lines 4 and 5c If zero or less, stop here (you are not subject to the alternative minimum tax)			6	-433,830.
7	Alternative tax net operating loss deduction (Do not enter more than 90% of line 6)			7	NONE
8	Alternative minimum taxable income (subtract line 7 from line 6)			8	NONE
9	**Exemption phase-out computation:**				
a	Tentative exemption amount Enter $40,000 (members of a controlled group, see instructions)	9a	40,000.		
b	Enter $150,000 (members of a controlled group, see instructions)	9b	150,000.		
c	Subtract line 9b from line 8 If zero or less, enter zero	9c	NONE		
d	Multiply line 9c by 25%	9d	NONE		
e	Exemption Subtract line 9d from line 9a if zero or less, enter zero			9e	40,000.
10	Subtract line 9e from line 8 If zero or less, enter zero			10	NONE
11	Multiply line 10 by 20%			11	NONE
12	Alternative minimum tax foreign tax credit			12	NONE
13	Tentative minimum tax (subtract line 12 from line 11)			13	NONE
14	General business credit allowed against alternative minimum tax (see instructions)			14	
15	Regular tax liability before all credits except the foreign tax credit and possessions tax credit			15	NONE
16	**Alternative minimum tax** – Add lines 14 and 15 and subtract the total from line 13 If the result is greater than zero, enter on line 9a, Schedule J, Form 1120, or on the comparable line of other income tax returns			16	NONE
17	**Environmental tax** – Subtract $2,000,000 from line 6 (computed without regard to your environmental tax deduction), and multiply the result, if any, by 0.12% (.0012). Enter on line 9b, Schedule J, Form 1120, or on the comparable line of other income tax returns (members of a controlled group, see instructions)			17	

For Paperwork Reduction Act, see separate instructions.

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Form **4797**

Department of the Treasury
Internal Revenue Service

Sales of Business Property

(Also, Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F)

▶ Attach to your tax return. See separate Instructions.

OMB No. 1545-0184

1989

Attachment Sequence No. 27

Name(s) as shown on return: USR INDUSTRIES, INC. AND SUBSIDIARIES

Identifying number: 22-2303184

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty and Theft – Property Held More Than 1 Year

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1989 on Form(s) 1099-S (or an equivalent statement) that you will be including on lines 2 or 10 (column d), or on line 20. (Form 1099-S is a Statement for Recipients of Proceeds From Real Estate Transactions) . . . 1

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS (f) minus the sum of (d) and (e)	(h) GAIN ((d) plus (e) minus (f))
2 SEE STATEMENT 37						-118,601.	

3 Gain, if any, from Form 4684, Section B, line 21		
4 Section 1231 gain from installment sales from Form 6252, line 22 or 30		
5 Gain, if any, from line 32, from other than casualty and theft		
6 Add lines 2 through 5 in columns (g) and (h)	(118,601.)	
7 Combine columns (g) and (h) of line 6. Enter gain or (loss) here, and on the appropriate line as follows (partnerships see the Instructions for line references)		-118,601.

If line 7 is zero or a loss, enter the amount on line 11 below and skip lines 8 and 9. (S corporations enter the loss on Schedule K (Form 1120S), line 5.) If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain as a long-term capital gain on Schedule D and skip lines 8, 9, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see Instructions)

9 Subtract line 8 from line 7. If zero or less, enter zero

If line 9 is zero, enter the amount from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the amount from line 9 as a long-term capital gain on Schedule D. See Line-by-Line Instructions for line 9.

Part II Ordinary Gains and Losses

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS (f) minus the sum of (d) and (e)	(h) GAIN ((d) plus (e) minus (f))
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less)							

11 Loss, if any, from line 7	-118,601.	
12 Gain, if any, from line 7, or amount from line 8 if applicable		
13 Gain, if any, from line 31		
14 Net gain or (loss) from Form 4684, Section B, lines 13 and 20a		
15 Ordinary gain from installment sales from Form 6252, line(s) 21 and/or 29		
16 Recapture of section 179 deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see Instructions)		
17 Add lines 10 through 16 in columns (g) and (h)	(118,601.)	
18 Combine columns (g) and (h) of line 17. Enter gain or (loss) here, and on the appropriate line as follows		-118,601.

a For all except individual returns: Enter the gain or (loss) from line 18 on the return being filed.

b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, Section B, Part II, column (b)(ii), enter that part of the loss here and on line 21 of Schedule A (Form 1040). Identify as from "Form 4797, line 18b(1)"

(2) Redetermine the gain or (loss) on line 18, excluding the loss (if any) on line 18b(1). Enter here and on Form 1040, line 15

For Paperwork Reduction Act Notice, see page 1 of separate Instructions. Form **4797** (1989)

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PART III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19 Description of sections 1245, 1250, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
A		
B		
C		
D		

Relate lines 19A through 19D to these columns ▶	Property A	Property B	Property C	Property D
20 Gross sales price				
21 Cost or other basis plus expense of sale				
22 Depreciation (or depletion) allowed (or allowable)				
23 Adjusted basis, subtract line 22 from line 21				
24 Total gain, subtract line 23 from line 20				
25 **If section 1245 property:**				
a Depreciation allowed (or allowable) (see Instructions)				
b Enter the **smaller** of line 24 or 25a				
26 **If section 1250 property:** If straight line depreciation was used, enter zero on line 26g unless you are a corporation subject to section 291				
a Additional depreciation after 12/31/75				
b Applicable percentage multiplied by the **smaller** of line 24 or line 26a (see Instructions)				
c Subtract line 26a from line 24. If line 24 is not more than line 26a, skip lines 26d and 26e				
d Additional depreciation after 12/31/69 and before 1/1/76				
e Applicable percentage multiplied by the **smaller** of line 26c or 26d (see Instructions)				
f Section 291 amount (for corporations only)				
g Add lines 26b, 26e, and 26f				
27 **If section 1252 property:** Skip this section if you did not dispose of farmland or if you are a partnership				
a Soil, water, and land clearing expenses				
b Line 27a multiplied by the applicable percentage (see Instructions)				
c Enter the **smaller** of line 24 or 27b				
28 **If section 1254 property:**				
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see Instructions)				
b Enter the **smaller** of line 24 or 28a				
29 **If section 1255 property:**				
a Applicable percentage of payments excluded from income under section 126 (see Instructions)				
b Enter the **smaller** of line 24 or 29a				

Summary of Part III Gains (Complete property columns A through D, through line 29b before going to line 30.)

30 Total gains for all properties (add columns A through D, line 24)	
31 Add columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 (see the Instructions for Part IV if this is an installment sale)	
32 Subtract line 31 from line 30. Enter the portion from casualty and theft on Form 4684, Section B, line 15. Enter the portion from other than casualty and theft on Form 4797, line 5	

PART IV Complete This Part Only If You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value

33 Check here if you elect out of the installment method ▶ ☐

34 Enter the face amount of the note or other obligation ▶

35 Enter the percentage of valuation of the note or other obligation ▶

PART V Computation of Recapture Amounts Under Sections 179 and 280F When Business Use Drops to 50% or Less (See Instructions for Part V.)

	(a) Section 179	(b) Section 280F
36 Section 179 expense deduction or section 280F recovery deductions		
37 Depreciation or recovery deductions (see Instructions)		
38 Recapture amount (subtract line 37 from line 36) (see Instructions for where to report)		

Form **5471** (Rev. November 1987) Department of the Treasury Internal Revenue Service

Information Return with Respect to a Foreign Corporation

Information furnished for the foreign corporation's annual accounting period beginning 1/ 1/89 and ending 12/31/89

OMB No. 1545-0704 Expires 11-30-90

To Be Filed In Duplicate

Name and address of person filing this return
USR INDUSTRIES, INC.
550 POST OAK BLVD., SUITE 545
HOUSTON TEXAS 77027

Identification number: 22-2303184

Filer's tax year beginning 1/ 1/89 and ending 12/31/89

Important: Fill in all applicable lines and sections. All information must be in the English language AND all amounts must be stated in U.S. dollars unless otherwise indicated.

1 a Name of foreign corporation and address where books and records are located
UNATCO FUNDING CORPORATION
ARIAS, FABREGA, FABREGA
APARTO 6307
PANAMA 5, PANAMA

b Employer identification number, if any

c Country under whose laws incorporated: PANAMA

d Were any of the corporation's accounting/tax records maintained on a computerized system? Yes [ ] No [X]

e Date of incorporation	f Principal country in which business is conducted	g Business code number	h Principal business activity
06-29-78	BAHAMAS	6749	FINANCE

2 Provide the following information for the above-stated accounting period of the foreign corporation:

Name, address, and identifying number of branch or agent in U.S. (if any)	If U.S. income tax returns were filed, please indicate: If the foreign corporation joined in filing a consolidated return, name of corporation filing the consolidated return	Taxable income or (loss)	Amount of U.S. income tax paid (after all credits)
NONE			

Schedule A Stock of the Foreign Corporation

(a) Description of each class of stock	(b) Beginning of annual accounting period — Number of shares (1) Issued	(2) Outstanding	(c) End of annual accounting period — Number of shares (1) Issued	(2) Outstanding

Schedule B U.S. Shareholders of Foreign Corporation

(a) Name, address, and identifying number of shareholder	(b) % of ownership of corporation / Value of Stock	(c) Number of shares of outstanding stock held at: Beginning of annual accounting period (1) Directly	(2) Indirectly	(3) Constructively	End of annual accounting period (4) Directly	(5) Indirectly	(6) Constructively	(d) Pro rata share of subparts F and G income
SEE 5471 STATEMENT								

Total percentage of voting stock of the foreign corporation owned by you at the end of the annual accounting period of the foreign corporation 100.0000000%

For Paperwork Reduction Act Notice, see page 1 of the Instructions.

Form **5471** (Rev. 11-87)

Schedule C Earnings and Profits

Income

1 Net sales (gross receipts less returns and allowances):				
a Unrelated customers	1a			
b Related customers	1b			
c Add lines 1a and 1b			1c	
2 Cost of goods sold and/or operations (line 7, Schedule D)			2	NONE
3 Gross profit (subtract line 2 from line 1c)			3	
4 Dividends			4	
5 Interest			5	15,000.
6 Gross rents, royalties, and license fees			6	
7 Net gain or (loss) on sale of capital assets			7	
8 Other income (attach schedule)			8	
9 Total income (add lines 3 through 8)			9	15,000.

Deductions

10 Compensation not deducted elsewhere			10	
11 Rents, royalties, and license fees			11	
12 Interest			12	15,000.
13 Depreciation not deducted elsewhere			13	
14 Depletion			14	
15 Taxes (exclude income, war profits, and excess profits taxes)			15	
16 Other deductions (attach schedule - exclude income, war profits, and excess profits taxes) SEE 5471 STATEMENT			16	300.
17 Total deductions (add lines 10 through 16)			17	15,300.

Earnings and Profits

18 Earnings and profits (before reduction for any income, war profits, or excess profits taxes)				
a Subtract line 17 from line 9	18a	-300.		
b Unrealized exchange gain or (loss)	18b			
c Combine lines 18a and 18b			18c	-300.
19 Income, war profits, and excess profits taxes paid or accrued (from line 5, column (d), Schedule E)			19	
20 Earnings and profits (subtract line 19 from line 18(c))			20	-300.

Schedule D Cost of Goods Sold and/or Operations

1 Beginning inventory			1	NONE
2 Merchandise bought for manufacture or sale				
a From unrelated suppliers	2a	NONE		
b From related suppliers	2b			
c Add lines 2a and 2b			2c	NONE
3 Wages and salaries			3	
4 a Additional section 263A costs (see instructions)			4a	
b Other costs (attach schedule)			4b	
5 Total (add lines 1 through 4b)			5	NONE
6 Ending inventory			6	
7 Cost of goods sold and/or operations (subtract line 6 from line 5) Enter here and on line 2, Schedule C			7	NONE

a Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☐ Yes ☒ No

b Was there any change (other than for section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "Yes" attach explanation ☐ Yes ☒ No

Schedule E Income, War Profits, and Excess Profits Taxes Paid or Accrued

(a) Name of country or US possession	Amount of tax (b) In foreign currency	(c) Conversion rate	(d) In US dollars
1 US			
2			
3			
4			
5 Total Enter here and on line 19, Schedule C			

Schedule F Balance Sheets

Assets	(a) Beginning of annual accounting period	(b) End of annual accounting period
1 Cash		
2 Trade notes and accounts receivable		
a Less allowance for bad debts	( )	( )
3 Inventories		
4 Other current assets (attach schedule)		
5 Loans to stockholders and other related persons (complete Schedule G, line 1)	667,073.	666,773.
6 Investment in subsidiaries (attach schedule)		
7 Buildings and structures		
a Less accumulated depreciation	( )	( )
8 Other fixed depreciable assets		
a Less accumulated depreciation	( )	( )
9 Depletable assets		
a Less accumulated depletion	( )	( )
10 Land (net of any amortization)		
11 Intangible assets: a Goodwill		
b Organization costs		
c Patents, trademarks, and other intangible assets		
d Less accumulated amortization for lines 11a, b, and c	( )	( )
12 Other assets (attach schedule)		
13 Total assets	667,073.	666,773.
Liabilities and Stockholder's Equity		
14 Accounts payable		
15 Other current liabilities (attach schedule)		
16 Loans from stockholders and other related persons (complete Schedule G, line 2)	200,000.	200,000.
17 Other liabilities (attach schedule)		
18 Capital stock: a Preferred stock		
b Common stock	100,000.	100,000.
19 Paid-in or capital surplus (attach reconciliation)		
20 Retained earnings: a Appropriated		
b Unappropriated	367,073.	366,773.
21 Less cost of treasury stock	( )	( )
22 Total liabilities and stockholders' equity	667,073.	666,773.

Schedule G Loans to and from Shareholders and Other Related Persons

Complete the following summary showing the total amount of outstanding balances at the beginning and end of the foreign corporation's annual accounting period represented by indebtedness and loans of the foreign corporation (column (a)) to persons described in columns (b) through (f). Exclude open accounts which arise and are collected in full during the ordinary course of business

(a) Outstanding balances of foreign corporation	(b) U S person filing this return	(c) Any domestic corporation controlled by U S person filing this return	(d) Any foreign corporation controlled by U S person filing this return	(e) 10% or more U S shareholder of controlled foreign corporation (other than the U S person filing this return)	(f) 10% or more U S shareholder of domestic corporation filing this return
1 Loans to persons described in columns (b) through (f)					
a At beginning of foreign corporation's annual accounting period	667,073.				
b At end of foreign corporation's annual accounting period	666,773.				
2 Loans from persons described in columns (b) through (f)					
a At beginning of foreign corporation's annual accounting period	200,000.				
b At end of foreign corporation's annual accounting period	200,000.				

Schedule H Reconciliation of Book Profits to Earnings and Profits. You are not required to complete this schedule if total assets (Schedule F, line 13, column (b)) are less than $25,000.

	Net additions	Net subtractions		
1 Profit or (loss) for the year per books of account (before reduction for any income, war profits, and excess profits taxes)			1	-300.
2 Net adjustments to book profit in determining earnings and profits for U.S. tax purposes (see instructions):				
a Capital gains or losses				
b Depreciation				
c Depletion				
d Investment or incentive allowance				
e Charges to statutory reserves				
f Inventory valuation adjustments				
g Other (attach schedule - exclude income, war profits, and excess profits taxes)				
3 Total net additions				
4 Total net subtractions				
5 Line 1 plus line 3 less line 4			5	-300.
6 Unrealized exchange gain or (loss)			6	NONE
7 Earnings and profits for the year (before reduction for any income, war profits, and excess profits taxes) (add lines 5 and 6)			7	-300.
8 Income, war profits, and excess profits taxes paid or accrued (from line 5, column (d), Schedule E)			8	-300.
9 Earnings and profits (subtract line 8 from line 7)			9	

Schedule I Analysis of Unappropriated Retained Earnings. You are not required to complete this schedule if total assets (Schedule F, line 13, column (b)) are less than $25,000.

1 Balance at beginning of annual accounting period	1	367,073.
2 Net income per books	2	-300.
3 Other increases (itemize) ▶	3	
4 Total (add lines 1 through 3)	4	366,773.
5 Distributions out of earnings and profits	5	
6 Other distributions (itemize) ▶	6	
7 Other decreases (itemize) ▶	7	
8 Total (add lines 5 through 7)	8	
9 Balance at end of annual accounting period (subtract line 8 from line 4)	9	366,773.

Schedule J Summary of Subpart F Income (see worksheets contained in the instructions)

1 Subpart F income (line 17, Worksheet A)	1	
2 Increase in earnings invested in United States property (line 14, Worksheet C)	2	NONE
3 Previously excluded subpart F income withdrawn from qualified investments (line 6, Worksheet D)	3	
4 Previously excluded export trade income withdrawn from investment in export trade assets (line 7, Worksheet F)	4	
5 Factoring income (see instructions)	5	
6 Total of lines 1 through 5 (Enter here and on your income tax return)	6	

Was the income of the foreign corporation blocked (see section 964(b))? Yes [ ] No [X]

Schedule K Accumulated Earnings and Profits Since 1962

	Total Earnings and Profits	Earnings and Profits Taxed Under Subpart F: Investment in U.S. Property	Earnings and Profits Taxed Under Subpart F: Other	Other Earnings and Profits
1 Balance at beginning of year	367,073.	367,073.		
2 Current year earnings and profits	-300.	-300.		
3 Actual distributions in current year				
4 Balance at end of year	366,773.	366,773.		

Schedule L Persons with Whom, or on Whose Behalf, this Return is Filed

(a) Name	(b) Address	(c) Identifying number	(d) Check applicable boxes: Shareholder	Officer	Director

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SCHEDULE M (Form 5471)
(Rev November 1987)
Department of the Treasury
Internal Revenue Service

Foreign Corporation Controlled by a United States Person

▶ Attach to Form 5471.

OMB No 1545-0704
Expires 11-30-90

Name of person filing Form 5471: USR INDUSTRIES, INC.

Identifying number: 22-2303184

Name of foreign corporation: UNATCO FUNDING CORPORATION
ARIAS, FABREGA, FABREGA

Information furnished for foreign corporation's annual accounting period beginning 1/ 1 19 89, and ending 12/31 19 89

Important: The following information must be submitted on a separate Schedule M for each controlled foreign corporation. Amounts must be stated in U.S. dollars and all information must be in the English language.

(a) Transactions of foreign corporation	(b) U S person filing this return	(c) Any domestic corporation controlled by U S person filing this return	(d) Any foreign corporation controlled by U S person filing this return	(e) 10% or more U S shareholder of controlled foreign corporation (other than the U S person filing this return)	(f) 10% or more U S shareholder of domestic corporation filing this return
1 Sales of stock in trade					
2 Sales of property rights (patents, trademarks, etc)					
3 Compensation received for technical, managerial, engineering, construction, or like services					
4 Commissions received					
5 Rents, royalties, and license fees received					
6 Dividends received					
7 Interest received	15,000.				
8 Premiums received for insurance or reinsurance					
9 Add lines 1 through 8	15,000.				
10 Purchases of stock in trade					
11 Purchases of tangible property other than stock in trade					
12 Purchases of property rights (patents, trademarks, etc)					
13 Compensation paid for technical, managerial, engineering, construction, or like services					
14 Commissions paid					
15 Rents, royalties, and license fees paid					
16 Dividends paid (exclude deemed distributions under subparts F and G)					
17 Interest paid	15,000.				
18 Add lines 10 through 17	15,000.				

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred

For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 5471. **Schedule M (Form 5471) (Rev. 11-87)**

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SCHEDULE O (Form 5471)
(Rev June 1988)
Department of the Treasury Internal Revenue Service

Organization or Reorganization of Foreign Corporation, and Acquisitions and Dispositions of Its Stock

▶ Attach to Form 5471. (See instructions for other filing requirements.)

OMB No 1545-0704
Expires: 11-30-90

Name of person filing Form 5471: USR INDUSTRIES, INC.

Identifying number:

Name of foreign corporation: UNATCO FUNDING CORPORATION
ARIAS, FABREGA, FABREGA

Important: All information must be in the English language AND all amounts must be stated in U.S. dollars. Complete a separate Schedule O for each foreign corporation that must be reported.

Part I To Be Completed by Officers and Directors

(a) Name of shareholder	(b) Address	(c) Identifying number	(d) Date 1	(e) Date 2

Part II To Be Completed by Shareholders

Section A. – General Shareholder Information

(a) Name of shareholder	(b) For shareholder's latest U.S. income tax return filed indicate			(c) Date (if any) shareholder last filed information return under section 6046 with respect to foreign corporation
	(1) Type of return	(2) Date return filed	(3) Internal Revenue Service Center where filed	

If this return is required by reason of one or more shareholders becoming United States persons, attach a list showing the names of such persons and the date each became a United States person

Section B. – United States Persons Who Are Officers or Directors of the Foreign Corporation

(a) Name of officer or director	(b) Address	(c) Social security number	(d) Check appropriate box(es)	
			Officer	Director

Section C. – Acquisition of Stock

(a) Name of shareholder acquiring stock	(b) Class of stock	(c) Date of acquisition	(d) Method of acquisition	(e) Number of shares acquired		
				(1) Directly	(2) Indirectly	(3) Constructively

(f) Amount paid or value given	(g) Name and address of person from whom shares acquired

Section D. – Disposition of Stock

(a) Name of shareholder disposing of stock	(b) Class of stock	(c) Date of disposition	(d) Method of disposition	(e) Number of shares disposed of		
				(1) Directly	(2) Indirectly	(3) Constructively

(f) Amount received	(g) Name and address of person to whom stock was disposed

Section E. – Organization or Reorganization of Foreign Corporation

(a) Name and address of transferor	(b) Identifying number (if any)	(c) Date of transfer

(d) Assets transferred to foreign corporation			(e) Description of assets transferred by, or notes or securities issued by, foreign corporation
(1) Description of assets	(2) Fair market value	(3) Adjusted basis (if transferor was U S person)	

List the date of any reorganization of the foreign corporation that occurred during the last 4 years while any U S person held 5% or more (directly or indirectly) of the foreign corporation's stock

If the foreign corporation is a member of one or more groups constituting a chain of ownership, attach a chart indicating each unit of which a shareholder owns 5% or more of the stock, the foreign corporation's position in each chain of ownership, and the percentages of stock ownership (see instructions)

Worksheets for Computing Income From a Controlled Foreign Corporation

Use the questions that follow as a guide in completing the various worksheets below.

1 Did the sum of the foreign corporation's foreign base company income (determined without regard to applicable deductions) and gross insurance income exceed the lesser of 5% of gross income or $1,000,000? If "Yes," complete worksheet B.

2 Did the controlled foreign corporation receive income for insurance or annuity contracts on the life, health, or property of persons outside the corporation's country of creation or organization, or receive similar consideration (section 952(a)(1))? If "No," omit line 1 of worksheet A.

3 Has any amount ever been excluded from the foreign base company income of the controlled foreign corporation because of an increase in qualified investments in less developed country corporations or because of an increase in qualified investments in foreign base company shipping operations? If "Yes," complete worksheet D.

4 Has any amount ever been excluded from the subpart F income of the controlled foreign corporation because it qualified as an export trade corporation? If "Yes," complete worksheet F.

5 Did the controlled foreign corporation hold any United States property at the close of its tax year (other than property excluded under section 956(b)(2))? If "Yes," complete worksheet C.

6 Is the controlled foreign corporation a foreign investment company or a foreign personal holding company? If "Yes," see section 951(c) or (d) and the related regulations.

Worksheet A - Pro Rata Share of Subpart F Income

1	Insurance income (other than related person insurance income)		
2	Related person insurance income		
3	Foreign base company income (worksheet B)		
4	International boycott income (see section 952(a)(3) and Form 5713)		
5	Amount of illegal bribes, kickbacks, or other payments (see section 952(a)(4))		
6	Section 952(a)(5) income		
7	Add lines 1 through 6		
8	Pro rata share of line 7 (see regs. sec. 1.951-1(e))		
9	Pro rata share of earnings and profits limitation (section 952(c))		
10	Line 8 or line 9, whichever is less		
11	Pro rata share of reduction for export trade income (worksheet E)		
12	Subtract line 11 from line 10		
13	(Number of days in tax year corporation was a controlled foreign corporation over number of days in tax year) times line 12		
14	Dividends paid to any other person with respect to your stock		
15	(Number of days in tax year you did not own such stock over number of days in tax year) times line 12		
16	Line 14 or line 15, whichever is less		
17	Pro rata share of subpart F income (line 13 less line 16). Enter here and on line 1, Schedule J		

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USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 1
22-2303184

CONSOLIDATED INCOME & EXPENSE SUMMARY

	COMBINED TOTALS	ELIMINATIONS	ADJUSTMENTS	CONSOLIDATED TOTALS
1 GROSS RECEIPTS	490,957.			490,957.
RETURNS/ALLOWANCES				
NET RECEIPTS/SALES	490,957.			490,957.
2 COST GOODS SOLD/OP	222,081.			222,081.
3 GROSS PROFIT	268,876.			268,876.
4 DIVIDENDS (SCH.C)				
5 INTEREST	47,469.			47,469.
6 GROSS RENTS	93,176.			93,176.
7 GROSS ROYALTIES				
8 GAIN(LOSS) SCH. D				
9 ORD GAIN(LOSS)4797	-118,601.			-118,601.
10 OTHER INCOME	9,599.			9,599.
11 TOTAL INCOME	300,519.			300,519.
12 COMPENSATION OFFCR	120,500.			120,500.
13 SALARIES AND WAGES	88,225.			88,225.
14 REPAIRS				
15 BAD DEBTS	15,100.			15,100.
16 RENTS	27,257.			27,257.
17 TAXES	20,467.			20,467.
18 INTEREST	21,509.			21,509.
19 CONTRIBUTIONS				
21B LINE 20 DEPR LESS DEPR ELSEWHERE	60,194.			60,194.
22 DEPLETION				
23 ADVERTISING				
24 PENSION PROFIT SHR	2,775.			2,775.
25 OTHER BEN. PLANS	1,435.			1,435.
26 OTHER DEDUCTIONS	378,436.			378,436.
27 TOTAL DEDUCTIONS	735,898.			735,898.
28 TAXABLE INCOME BEFORE NOL & SPDED	-435,379.			-435,379.
29 NOL DEDUCTION	574,085.			574,085.
SPECIAL DEDUCTIONS				
30 TAXABLE INCOME	-1,009,464.			-1,009,464.

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USR INDUSTRIES, INC. AND SUBSIDIARIES STATEMENT 2
HOUSTON, TEXAS 77027 22-2303184
FOR TAX YEAR ENDED: 12-31-89

CONSOLIDATED INCOME & EXPENSE SUMMARY

	1 USR INDUSTRIES, INC.	2 USR METALS, INC.	3 USR LIGHTING, INC.	4 USR CHEMICALS, INC.
	22-2303184	22-2270166	22-2270165	22-2270153
1 GROSS RECEIPTS		490,957.		NON
RETURNS/ALLOWANCES				
NET RECEIPTS/SALES		490,957.		NON
2 COST GOODS SOLD/OP		222,081.		
3 GROSS PROFIT		268,876.		NON
4 DIVIDENDS (SCH.C)				
5 INTEREST	5,154.	1,883.	36,346.	
6 GROSS RENTS			93,176.	
7 GROSS ROYALTIES				
8 GAIN(LOSS) SCH. D				
9 ORD GAIN(LOSS)4797	-118,601.			
10 OTHER INCOME	2,784.	7,251.		
11 TOTAL INCOME	-110,663.	278,010.	129,522.	NON
12 COMPENSATION OFFCR	98,000.			
13 SALARIES AND WAGES		65,725.		
14 REPAIRS				
15 BAD DEBTS		15,100.		
16 RENTS	19,490.	7,767.		
17 TAXES	10,754.	8,416.	1,278.	19.
18 INTEREST	20,449.	91.	969.	
19 CONTRIBUTIONS				
21B LINE 20 DEPR LESS DEPR ELSEWHERE	1,471.		58,723.	
22 DEPLETION				
23 ADVERTISING				
24 PENSION PROFIT SHR	2,775.			
25 OTHER BEN. PLANS		1,435.		
26 OTHER DEDUCTIONS	13,744.	232,826.	87,396.	
27 TOTAL DEDUCTIONS	166,683.	331,360.	148,366.	19.
28 TAXABLE INCOME BEFORE NOL & SPDED	-277,346.	-53,350.	-18,844.	-19.
29 NOL DEDUCTION	458,007.	36,711.	50,170.	20,635.
SPECIAL DEDUCTIONS				
30 TAXABLE INCOME	-735,353.	-90,061.	-69,014.	-20,654.

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USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 3
22-2303184

CONSOLIDATED INCOME & EXPENSE SUMMARY

	5 550 POB, INC. 76-0231826	6 METALS FABRICATOR INC 76-0159561	7 USR NATURAL RESOURCES, INC. 22-2303171
1 GROSS RECEIPTS			NONE
RETURNS/ALLOWANCES			
NET RECEIPTS/SALES			NONE
2 COST GOODS SOLD/OP			
3 GROSS PROFIT			NONE
4 DIVIDENDS (SCH.C)			
5 INTEREST	4,086.		
6 GROSS RENTS			
7 GROSS ROYALTIES			
8 GAIN(LOSS) SCH. D			
9 ORD GAIN(LOSS)4797			
10 OTHER INCOME	-436.		
11 TOTAL INCOME	3,650.		NONE
12 COMPENSATION OFFCR	22,500.		
13 SALARIES AND WAGES	22,500.		
14 REPAIRS			
15 BAD DEBTS			
16 RENTS			
17 TAXES			
18 INTEREST			
19 CONTRIBUTIONS			
21B LINE 20 DEPR LESS DEPR ELSEWHERE			
22 DEPLETION			
23 ADVERTISING			
24 PENSION PROFIT SHR			
25 OTHER BEN. PLANS			
26 OTHER DEDUCTIONS	44,219.	251.	NONE
27 TOTAL DEDUCTIONS	89,219.	251.	
28 TAXABLE INCOME BEFORE NOL & SPDED	-85,569.	-251.	NONE
29 NOL DEDUCTION SPECIAL DEDUCTIONS	8,448.	114.	
30 TAXABLE INCOME	-94,017.	-365.	NONE

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 4
22-2303184

CONSOLIDATED PAGE ONE SCHEDULES

INTEREST (LINE 5)

1 USR INDUSTRIES, INC.		
MISC INTEREST INCOME	5,154.	
SUBTOTAL		5,154.
2 USR METALS, INC.		
NOTES RECEIVABLE	1,883.	
SUBTOTAL		1,883.
3 USR LIGHTING, INC.		
NOTES RECEIVABLE	36,346.	
SUBTOTAL		36,346.
5 550 POB, INC.		
THE HOUSTON PHOENIX CO., LTD. PARTNERSHIP PER K-1	63.	
HOUSTON-PHOENIX CO., LTD-ADVANCE	4,023.	
SUBTOTAL		4,086.
TOTAL INTEREST		47,469.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 5
22-2303184

CONSOLIDATED PAGE ONE SCHEDULES

OTHER INCOME (LINE 10)

1 USR INDUSTRIES, INC.		
INCOME FROM OIL AND GAS	2,784.	
SUBTOTAL		2,784.
2 USR METALS, INC.		
MISCELLANEOUS INCOME	6,651.	
SEC. 481 VACATION ACCRUAL	600.	
SUBTOTAL		7,251.
5 550 POB, INC.		
ORDINARY (LOSS) FROM THE HOUSTON PHOENIX CO., LTD. PARTNERSHIP	-436.	
SUBTOTAL		-436.
TOTAL OTHER INCOME		9,599.

TAXES (LINE 17)

1 USR INDUSTRIES, INC.		
PAYROLL TAXES	8,457.	
SEVERANCE TAXES	93.	
PROPERTY TAX	494.	
FRANCHISE TAX	1,710.	
SUBTOTAL		10,754.
2 USR METALS, INC.		
STATE TAXES BASED ON CAPITAL, SURPLUS & NETWORTH	8,416.	
SUBTOTAL		8,416.

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USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 6
22-2303184

CONSOLIDATED PAGE ONE SCHEDULES

TAXES (LINE 17) (CONTINUED)

3 USR LIGHTING, INC.

NEW JERSEY INCOME TAXES	1,278.	
SUBTOTAL		1,278.

4 USR CHEMICALS, INC.

STATE & LOCAL TAXES	19.	
SUBTOTAL		19.
TOTAL TAXES		20,467.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 7
22-2303184

CONSOLIDATED PAGE ONE SCHEDULES

OTHER DEDUCTIONS (LINE 26)

1 USR INDUSTRIES, INC.

LEASE OPERATING EXPENSES	1,473.	
MEALS AND ENTERTAINMENT	12,390.	
AUTOMOTIVE MAINTENANCE	3,487.	
OFFICE SUPPLIES	1,117.	
CONTRACT LABOR	1,030.	
INSURANCE	15,407.	
TELEPHONE & TELEGRAPH	3,271.	
POSTAGE	1,667.	
AUDIT AND ACCOUNTING	23,400.	
LEGAL AND PROFESSIONAL	340,341.	
DUES & SUBSCRIPTIONS	345.	
DIRECTORS FEES	15,000.	
PUBLIC RELATIONS & S H MEETING	3,367.	
MISCELLANEOUS	201.	
PRINTING	14,315.	
BANK CHARGES	200.	
TRANSFER AGENT FEES	1,519.	
COMPUTER SERVICE	2,500.	
FILING FEES	250.	
PENSION CONTRIBUTION	1,889.	
ALLOCATION OF G&A EXPENSES TO SUBS	-437,587.	
TRAVEL AND LODGING	7,977.	
CORPORATE SERVICES	185.	
SUBTOTAL		13,744.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 8
22-2303184

CONSOLIDATED PAGE ONE SCHEDULES

OTHER DEDUCTIONS (LINE 26) (CONTINUED)

2 USR METALS, INC.

TRAVEL	3,694.	
MEALS & ENTERTAINMENT	2,269.	
INSURANCE	4,627.	
POSTAGE	482.	
DUES AND SUBSCRIPTIONS	652.	
MISCELLANEOUS	7,270.	
COMMISSIONS	1,718.	
OFFICE SUPPLIES	1,769.	
DATA PROCESSING	1,060.	
ADVERT. & MKTG.	6,614.	
TELEPHONE	1,496.	
G & A ALLOCATION	196,914.	
PROFESSIONAL SERVICES	4,261.	
SUBTOTAL		232,826.

3 USR LIGHTING, INC.

LEGAL	-121.	
G & A ALLOCATION	87,517.	
SUBTOTAL		87,396.

5 550 POB, INC.

MISCELLANEOUS	460.	
G & A ALLOCATION	43,759.	
SUBTOTAL		44,219.

6 METALS FABRICATOR INC

FILING FEES	51.	
RESIDENT AGENT FEE	200.	
SUBTOTAL		251.
TOTAL OTHER DEDUCTIONS		378,436.

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USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

CONSOLIDATED PAGE ONE SCHEDULES
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NET OPERATING LOSS CARRYOVER (LINE 29A)

1 USR INDUSTRIES, INC.

NON-SRLY NOL CARRYOVER 45

SUBTOTAL

2 USR METALS, INC.

NON-SRLY NOL CARRYOVER 3

SUBTOTAL

3 USR LIGHTING, INC.

NON-SRLY NOL CARRYOVER

SUBTOTAL

4 USR CHEMICALS, INC.

NON-SRLY NOL CARRYOVER

SUBTOTAL

5 550 POB, INC.

NON-SRLY NOL CARRYOVER

SUBTOTAL

6 METALS FABRICATOR INC

NON-SRLY NOL CARRYOVER

SUBTOTAL

TOTAL NET OPERATING LOSS CARRYOVER

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 10
22-2303184

CONSOLIDATED COST OF GOODS SOLD SUMMARY

	COMBINED TOTALS	ELIMINATIONS	ADJUSTMENTS	CONSOLIDATED TOTALS
1 BEGINNING INVENTORY	25,179.			25,179.
2 PURCHASES	52,311.			52,311.
3 COST OF LABOR	91,091.			91,091.
4A ADDL. SEC.263A COS	-801.			-801.
4B OTHER COSTS	77,765.			77,765.
5 TOTAL COST OF GOODS	245,545.			245,545.
6 LESS ENDING INV.	23,464.			23,464.
7 COST OF GOODS SOLD	222,081.			222,081.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 11
22-2303184

CONSOLIDATED COST OF GOODS SOLD SUMMARY

	1 USR INDUSTRIES, INC.	2 USR METALS, INC.	3 USR LIGHTING, INC.	4 USR CHEMICALS, INC.
	22-2303184	22-2270166	22-2270165	22-2270153
1 BEGINNING INVENTORY		25,179.		
2 PURCHASES		52,311.		
3 COST OF LABOR		91,091.		
4A ADDL. SEC.263A COS		-801.		
4B OTHER COSTS		77,765.		
5 TOTAL COST OF GOODS		245,545.		
6 LESS ENDING INV.		23,464.		
7 COST OF GOODS SOLD		222,081.		

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 12
22-2303184

CONSOLIDATED COST OF GOODS SOLD SUMMARY

	5 550 POB, INC.	6 METALS FABRICATOR INC	7 USR NATURAL RESOURCES, INC.
	76-0231826	76-0159561	22-2303171
1 BEGINNING INVENTORY			
2 PURCHASES			
3 COST OF LABOR			
4A ADDL. SEC.263A COS			
4B OTHER COSTS			
5 TOTAL COST OF GOODS			
6 LESS ENDING INV.			
7 COST OF GOODS SOLD			

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 13
22-2303184

CONSOLIDATED SCHEDULE A - COST OF GOODS SOLD

ADDITIONAL SEC. 263A COSTS (LINE4A)

2 USR METALS, INC.

SEC. 263(A) ADJUSTMENT	-801.	
SUBTOTAL		-801.
TOTAL ADDITIONAL SEC. 263A COSTS		-801.

OTHER COSTS (LINE 4B)

2 USR METALS, INC.

PAYROLL TAXES	10,266.	
HOSPITALIZATION INSURANCE	10,273.	
UTILITIES	22,332.	
REPAIRS	999.	
PRODUCTION SUPPLIES	26,415.	
FREIGHT OUT	873.	
FREIGHT IN	1,428.	
PLANT SERVICES	-826.	
SEC. 481 ADJUSTMENT	-113.	
ART PHOTO CHARGES	4,343.	
DEPRECIATION	1,775.	
SUBTOTAL		77,765.
TOTAL OTHER COSTS		77,765.

USR INDUSTRIES, INC. AND SUBSIDIARIES   STATEMENT 14
HOUSTON, TEXAS 77027   22-2303184
FOR TAX YEAR ENDED: 12-31-89

CONSOLIDATED COMPENSATION OF OFFICERS

NAME SOCIAL SECURITY NO & ADDRESS	TITLE	TIME DEVOTED	PERCENT COMM	STOCK PREF	AMOUNT COMPENSATION
1 USR INDUSTRIES, INC.					
R.T. MCELVENNY JR 386-40-9738 550 POST OAK BLVD SUITE 545,HOUSTON, TX 77027	PRES	PART	3.9	N/A	40,000.
J.C. WELBORN 452-74-9297 550 POST OAK BLVD SUITE 545,HOUSTON, TX 77027	SEC	PART	NONE	N/A	12,000.
S.C. MILLER 449-78-5269 550 POST OAK BLVD SUITE 545,HOUSTON, TX 77027	TRES	PART	NONE	N/A	46,000.
SUBTOTAL					98,000.
5 550 POB, INC.					
STEPHEN C. MILLER 449-78-5269 550 POST OAK BLVD, #545,HOUSTON, TEXAS 77027	PRES	PART	NONE	NONE	22,500.
SUBTOTAL					22,500.
LESS: AMOUNTS CLAIMED IN SCHEDULE A					
TOTAL COMPENSATION OF OFFICERS					120,500.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 15
22-2303184

PAGE 3 SCHEDULE

QUESTION I(1) PAGE 3 FORM 1120

A) SEE FORM 851

USR INDUSTRIES, INC. AND SUBSIDIARIES STATEMENT 16
HOUSTON, TEXAS 77027 22-2303184
FOR TAX YEAR ENDED: 12-31-89

BEGINNING CONSOLIDATED BALANCE SHEET

	COMBINED TOTALS	ELIMINATIONS	ADJUSTMENTS	CONSOLIDATED TOTALS
ASSETS				
1 CASH	13,418.			13,418
2 ACCOUNTS RECEIVABLE	152,966.			152,966
LESS ALL. BAD DEBT				
3 INVENTORIES	25,066.			25,066
4 US GOVT OBLIGATIONS				
5 TAX-EXEMPT SECURITY				
6 OTHER CURRENT ASSET	978,030.	-579,557.		398,473.
7 LOANS TO STKHLD.				
8 MORTGAGE & REAL EST				
9 OTHER INVESTMENTS	4,410,108.	-2,662,058.		1,748,050.
10 FIXED DEPR. ASSETS	1,650,881.			1,650,881.
LESS ACC. DEPR.	1,245,700.			1,245,700.
11 DEPLETABLE ASSETS	123,966.			123,966.
LESS ACC. DEPLETION	123,966.			123,966.
12 LAND				
13 INTANGIBLE ASSETS				
LESS ACC. AMORT.				
14 OTHER ASSETS	550,369.			550,369.
15 TOTAL ASSETS	6,535,138.	-3,241,615.		3,293,523.
LIABILITIES				
16 ACCOUNTS PAYABLE	315,986.			315,986.
17 MTGES.NOTES-CURRENT	147,954.			147,954.
18 OTHER CURRENT LIA.	829,459.	-579,557.		249,902.
19 LOANS FROM STKHLD.				
20 MTGES.NOTES-LONG-T.				
21 OTHER LIABILITIES	745,852.			745,852.
22 PREFERRED STOCK				
COMMON STOCK	994,669.	-14.		994,655.
23 PAID-IN SURPLUS	3,027,505.	-2,662,044.		365,461.
24 RET.EARNINGS-APPR.				
25 RET.EARNINGS-UNAPPR	473,713.			473,713.
26 LESS TREASURY STOCK				
27 TOTAL LIABILITIES	6,535,138.	-3,241,615.		3,293,523.

USR INDUSTRIES, INC. AND SUBSIDIARIES STATEMENT 17
HOUSTON, TEXAS 77027 22-2303184
FOR TAX YEAR ENDED: 12-31-89

BEGINNING CONSOLIDATED BALANCE SHEET

	1 USR INDUSTRIES, INC.	2 USR METALS, INC.	3 USR LIGHTING, INC.	4 USR CHEMICALS, INC.
	22-2303184	22-2270166	22-2270165	22-2270153
ASSETS				
1 CASH	2,572.	8,669.	2,111.	NONE
2 ACCOUNTS RECEIVABLE	6,424.	134,479.	12,063.	
LESS ALL. BAD DEBT				
3 INVENTORIES		25,066.		
4 US GOVT OBLIGATIONS				
5 TAX-EXEMPT SECURITY				
6 OTHER CURRENT ASSET	431,827.	210,193.	27,666.	
7 LOANS TO STKHLD.				
8 MORTGAGE & REAL EST				
9 OTHER INVESTMENTS	2,704,167.	NONE		
10 FIXED DEPR. ASSETS	41,330.	869,606.	739,945.	
LESS ACC. DEPR.	28,338.	864,580.	352,782.	
11 DEPLETABLE ASSETS	123,966.			
LESS ACC. DEPLETION	123,966.			
12 LAND				
13 INTANGIBLE ASSETS				
LESS ACC. AMORT.				
14 OTHER ASSETS		78,618.	471,751.	
15 TOTAL ASSETS	3,157,982.	462,051.	900,754.	NONE
LIABILITIES				
16 ACCOUNTS PAYABLE	243,392.	72,514.		
17 MTGES.NOTES-CURRENT	147,954.			
18 OTHER CURRENT LIA.	244,000.	5,157.	744.	68.
19 LOANS FROM STKHLD.				
20 MTGES.NOTES-LONG-T.				
21 OTHER LIABILITIES	667,074.		78,778.	
22 PREFERRED STOCK				
COMMON STOCK	994,655.	1.	1.	1.
23 PAID-IN SURPLUS	365,461.	354,395.	851,544.	205,176.
24 RET.EARNINGS-APPR.				
25 RET.EARNINGS-UNAPPR	495,446.	29,984.	-30,313.	-205,245.
26 LESS TREASURY STOCK				
27 TOTAL LIABILITIES	3,157,982.	462,051.	900,754.	NONE

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 18
22-2303184

BEGINNING CONSOLIDATED BALANCE SHEET

	5 550 POB, INC. 76-0231826	6 METALS FABRICATOR INC 76-0159561	7 USR NATURAL RESOURCES, INC. 22-2303171
ASSETS			
1 CASH	66.	NONE	
2 ACCOUNTS RECEIVABLE			
LESS ALL. BAD DEBT			
3 INVENTORIES			
4 US GOVT OBLIGATIONS			
5 TAX-EXEMPT SECURITY			
6 OTHER CURRENT ASSET	109,237.	199,107.	
7 LOANS TO STKHLD.			
8 MORTGAGE & REAL EST			
9 OTHER INVESTMENTS	500,000.	1,205,941.	
10 FIXED DEPR. ASSETS			
LESS ACC. DEPR.			
11 DEPLETABLE ASSETS			NONE
LESS ACC. DEPLETION			NONE
12 LAND			
13 INTANGIBLE ASSETS			
LESS ACC. AMORT.			
14 OTHER ASSETS			
15 TOTAL ASSETS	609,303.	1,405,048.	NONE
LIABILITIES			
16 ACCOUNTS PAYABLE	80.		
17 MTGES.NOTES-CURRENT			
18 OTHER CURRENT LIA.	579,490.		
19 LOANS FROM STKHLD.			
20 MTGES.NOTES-LONG-T.			
21 OTHER LIABILITIES			
22 PREFERRED STOCK			
COMMON STOCK	10.	1.	
23 PAID-IN SURPLUS	44,990.	1,205,939.	
24 RET.EARNINGS-APPR.			
25 RET.EARNINGS-UNAPPR	-15,267.	199,108.	NONE
26 LESS TREASURY STOCK			
27 TOTAL LIABILITIES	609,303.	1,405,048.	NONE

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 19
22-2303184

ENDING CONSOLIDATED BALANCE SHEET

	COMBINED TOTALS	ELIMINATIONS	ADJUSTMENTS	CONSOLIDATED TOTALS
ASSETS				
1 CASH	44,751.			44,751.
2 ACCOUNTS RECEIVABLE	175,518.			175,518.
LESS ALL. BAD DEBT				
3 INVENTORIES	22,550.			22,550.
4 US GOVT OBLIGATIONS				
5 TAX-EXEMPT SECURITY				
6 OTHER CURRENT ASSET	758,580.	-460,710.		297,870.
7 LOANS TO STKHLD.	44,223.			44,223.
8 MORTGAGE & REAL EST				
9 OTHER INVESTMENTS	3,735,530.	-3,328,832.		406,698.
10 FIXED DEPR. ASSETS	1,658,633.			1,658,633.
LESS ACC. DEPR.	1,310,423.			1,310,423.
11 DEPLETABLE ASSETS	117,704.			117,704.
LESS ACC. DEPLETION	117,704.			117,704.
12 LAND				
13 INTANGIBLE ASSETS				
LESS ACC. AMORT.				
14 OTHER ASSETS	473,207.			473,207.
15 TOTAL ASSETS	5,602,569.	-3,789,542.		1,813,027.
LIABILITIES				
16 ACCOUNTS PAYABLE	264,631.			264,631
17 MTGES.NOTES-CURRENT	123,954.			123,954
18 OTHER CURRENT LIA.	603,268.	-460,710.		142,558
19 LOANS FROM STKHLD.				
20 MTGES.NOTES-LONG-T.				
21 OTHER LIABILITIES	745,551.	-666,774.		78,777.
22 PREFERRED STOCK				
COMMON STOCK	994,669.	-14.		994,655.
23 PAID-IN SURPLUS	3,027,505.	-2,662,044.		365,461.
24 RET.EARNINGS-APPR.				
25 RET.EARNINGS-UNAPPR	-157,009.			-157,009.
26 LESS TREASURY STOCK				
27 TOTAL LIABILITIES	5,602,569.	-3,789,542.		1,813,027.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 20
22-2303184

ENDING CONSOLIDATED BALANCE SHEET

	1 USR INDUSTRIES, INC.	2 USR METALS, INC.	3 USR LIGHTING, INC.	4 USR CHEMICALS, INC.
	22-2303184	22-2270166	22-2270165	22-2270153
ASSETS				
1 CASH	852.	20,491.	23,248.	NONE
2 ACCOUNTS RECEIVABLE	44,495.	79,807.	51,216.	
LESS ALL. BAD DEBT				
3 INVENTORIES		22,550.		
4 US GOVT OBLIGATIONS				
5 TAX-EXEMPT SECURITY				
6 OTHER CURRENT ASSET	291,809.	246,010.	21,905.	
7 LOANS TO STKHLD.	44,223.			
8 MORTGAGE & REAL EST				
9 OTHER INVESTMENTS	2,122,891.	1.		
10 FIXED DEPR. ASSETS	41,974.	876,714.	739,945.	
LESS ACC. DEPR.	31,336.	867,582.	411,505.	
11 DEPLETABLE ASSETS	117,704.			
LESS ACC. DEPLETION	117,704.			
12 LAND				
13 INTANGIBLE ASSETS				
LESS ACC. AMORT.				
14 OTHER ASSETS		NONE	473,207.	
15 TOTAL ASSETS	2,514,908.	377,991.	898,016.	NONE
LIABILITIES				
16 ACCOUNTS PAYABLE	234,352.	30,279.		
17 MTGES.NOTES-CURRENT	123,954.			
18 OTHER CURRENT LIA.	137,000.	4,757.	801.	87.
19 LOANS FROM STKHLD.				
20 MTGES.NOTES-LONG-T.				
21 OTHER LIABILITIES	666,774.		78,777.	
22 PREFERRED STOCK				
COMMON STOCK	994,655.	1.	1.	1.
23 PAID-IN SURPLUS	365,461.	354,395.	851,544.	205,176.
24 RET.EARNINGS-APPR.				
25 RET.EARNINGS-UNAPPR	-7,288.	-11,441.	-33,107.	-205,264.
26 LESS TREASURY STOCK				
27 TOTAL LIABILITIES	2,514,908.	377,991.	898,016.	NONE

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 21
22-2303184

ENDING CONSOLIDATED BALANCE SHEET

	5 550 POB, INC.	6 METALS FABRICATOR INC	7 USR NATURAL RESOURCES, INC.
	76-0231826	76-0159561	22-2303171
ASSETS			
1 CASH	160.		
2 ACCOUNTS RECEIVABLE			
LESS ALL. BAD DEBT			
3 INVENTORIES			
4 US GOVT OBLIGATIONS			
5 TAX-EXEMPT SECURITY			
6 OTHER CURRENT ASSET	NONE	198,856.	
7 LOANS TO STKHLD.			
8 MORTGAGE & REAL EST			
9 OTHER INVESTMENTS	406,697.	1,205,941.	
10 FIXED DEPR. ASSETS			
LESS ACC. DEPR.			
11 DEPLETABLE ASSETS			
LESS ACC. DEPLETION			
12 LAND			NONE
13 INTANGIBLE ASSETS			
LESS ACC. AMORT.			
14 OTHER ASSETS			
15 TOTAL ASSETS	406,857.	1,404,797.	NONE
LIABILITIES			
16 ACCOUNTS PAYABLE	NONE		
17 MTGES.NOTES-CURRENT			
18 OTHER CURRENT LIA.	460,623.		
19 LOANS FROM STKHLD.			
20 MTGES.NOTES-LONG-T.			
21 OTHER LIABILITIES			
22 PREFERRED STOCK			
COMMON STOCK	10.	1.	
23 PAID-IN SURPLUS	44,990.	1,205,939.	
24 RET.EARNINGS-APPR.			
25 RET.EARNINGS-UNAPPR	-98,766.	198,857.	NONE
26 LESS TREASURY STOCK			
27 TOTAL LIABILITIES	406,857.	1,404,797.	NONE

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 22
22-2303184

CONSOLIDATED BALANCE SHEET SCHEDULES

DESCRIPTION	BEGINNING	ENDING
OTHER CURRENT ASSETS (LINE 6)		
1 USR INDUSTRIES, INC.		
PREPAID EXPENSES	217.	100,205.
STOCK HELD FOR SALE	200,000.	122,269.
INTERCOMPANY RECEIVABLE	143,705.	69,335.
A/R-HOUSTON PHOENIX CO	87,905.	NONE
SUBTOTAL	431,827.	291,809.
2 USR METALS, INC.		
INTERCOMPANY RECEIVABLES	209,523.	242,392.
PREPAID EXPENSES	670.	3,618.
SUBTOTAL	210,193.	246,010.
3 USR LIGHTING, INC.		
PREPAID EXPENSES	444.	
INTERCOMPANY RECEIVABLES	27,222.	21,905.
SUBTOTAL	27,666.	21,905.
5 550 POB, INC.		
RECEIVABLE-HOUSTON-PHOENIX CO.	109,237.	NONE
SUBTOTAL	109,237.	
6 METALS FABRICATOR INC		
INTERCOMPANY RECEIVABLES	199,107.	198,856.
SUBTOTAL	199,107.	198,856.
8 ELIMINATIONS		
OTHER CURRENT ASSETS	-579,557.	-460,710.
SUBTOTAL	-579,557.	-460,710.
TOTAL OTHER CURRENT ASSETS	398,473.	297,870.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 23
22-2303184

CONSOLIDATED BALANCE SHEET SCHEDULES

DESCRIPTION	BEGINNING	ENDING
OTHER INVESTMENTS (LINE 9)		
1 USR INDUSTRIES, INC.		
USR CHEMICALS INC	205,177.	205,177.
PINNACLE PETROLEUM	580,476.	NONE
UNATCO	667,074.	666,774.
KEP RESOURCES	500.	NONE
METALS FABRICATION INC	1,205,940.	1,205,940.
550 POB, INC.	45,000.	45,000.
SUBTOTAL	2,704,167.	2,122,891.
2 USR METALS, INC.		
INVESTMENT IN MULTIMETALS	NONE	1.
SUBTOTAL		1.
5 550 POB, INC.		
INVESTMENT IN HOUSTON-PHOENIX	500,000.	406,697.
SUBTOTAL	500,000.	406,697.
6 METALS FABRICATOR INC		
USR METALS INC	354,396.	354,396.
USR LIGHTING INC	851,545.	851,545.
SUBTOTAL	1,205,941.	1,205,941.
8 ELIMINATIONS		
OTHER INVESTMENTS	-2,662,058.	-3,328,832.
SUBTOTAL	-2,662,058.	-3,328,832.
TOTAL OTHER INVESTMENTS	1,748,050.	406,698.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 24
22-2303184

CONSOLIDATED BALANCE SHEET SCHEDULES

DESCRIPTION	BEGINNING	ENDING
OTHER ASSETS (LINE 14)		
2 USR METALS, INC.		
NOTE RECEIVABLE	78,618.	NONE
SUBTOTAL	78,618.	
3 USR LIGHTING, INC.		
RENT DEPOSIT	63,482.	63,482.
NOTE REC LONG TERM	408,269.	409,725.
SUBTOTAL	471,751.	473,207.
TOTAL OTHER ASSETS	550,369.	473,207.
OTHER CURRENT LIABILITIES (LINE 18)		
1 USR INDUSTRIES, INC.		
ACCRUED PROFESSIONAL FEES	124,000.	122,000.
ACCRUED SALARY & WAGES	NONE	NONE
ACCRUED DIRECTOR'S FEES	120,000.	15,000.
SUBTOTAL	244,000.	137,000.
2 USR METALS, INC.		
ACCRUED SALARIES	5,157.	4,757.
SUBTOTAL	5,157.	4,757.
3 USR LIGHTING, INC.		
CURRENT PORTION OF L/T LEASE	744.	801.
SUBTOTAL	744.	801.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 25
22-2303184

CONSOLIDATED BALANCE SHEET SCHEDULES

DESCRIPTION	BEGINNING	ENDING
OTHER CURRENT LIABILITIES (LINE 18) (CONTINUED)		
4 USR CHEMICALS, INC.		
INTERCOMPANY PAYABLE	68.	87.
SUBTOTAL	68.	87.
5 550 POB, INC.		
INTERCOMPANY PAYABLE	579,490.	460,623.
SUBTOTAL	579,490.	460,623.
8 ELIMINATIONS		
OTHER CURRENT LIABILITIES	-579,557.	-460,710.
SUBTOTAL	-579,557.	-460,710.
TOTAL OTHER CURRENT LIABILITIES	249,902.	142,558.
OTHER LIABILITIES (LINE 21)		
1 USR INDUSTRIES, INC.		
ACCOUNTS PAYABLE AFFILIATED	667,074.	666,774.
SUBTOTAL	667,074.	666,774.
3 USR LIGHTING, INC.		
CAPITAL LEASE OBLIGATION	62,078.	61,277.
SECURITY DEPOSIT	16,700.	17,500.
SUBTOTAL	78,778.	78,777.
8 ELIMINATIONS		
OTHER LIABILITIES		-666,774.
SUBTOTAL		-666,774.
TOTAL OTHER LIABILITIES	745,852.	78,777.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 26
22-2303184

CONSOLIDATED BALANCE SHEET SCHEDULES

DESCRIPTION	BEGINNING	ENDING
PAID IN CAPITAL (LINE 23)		
1 USR INDUSTRIES, INC.		
PAID-IN OR CAPITAL SURPLUS	365,461.	365,461.
SUBTOTAL	365,461.	365,461.
2 USR METALS, INC.		
PAID-IN OR CAPITAL SURPLUS	354,395.	354,395.
SUBTOTAL	354,395.	354,395.
3 USR LIGHTING, INC.		
PAID-IN OR CAPITAL SURPLUS	851,544.	851,544.
SUBTOTAL	851,544.	851,544.
4 USR CHEMICALS, INC.		
PAID-IN OR CAPITAL SURPLUS	205,176.	205,176.
SUBTOTAL	205,176.	205,176.
5 550 POB, INC.		
PAID-IN OR CAPITAL SURPLUS	44,990.	44,990.
SUBTOTAL	44,990.	44,990.
6 METALS FABRICATOR INC		
PAID-IN OR CAPITAL SURPLUS	1,205,939.	1,205,939.
SUBTOTAL	1,205,939.	1,205,939.
8 ELIMINATIONS		
PAID IN CAPITAL SURPLUS	-2,662,044.	-2,662,044.
SUBTOTAL	-2,662,044.	-2,662,044.
TOTAL PAID IN CAPITAL	365,461.	365,461.

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USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 27
22-2303184

RECONCILIATION OF CONSOLIDATED M-1 AND M-2 SCHEDULES

	COMBINED TOTALS	ELIMINATIONS	ADJUSTMENTS	CONSOLIDATED TOTALS
SCHEDULE M-1				
1 NET INCOME PER BOOK	-630,722.			-630,72[illegible]
2 FEDERAL INCOME TAX				
3 EXCESS CAP. LOSSES	1,609,189.			1,609,1[illegible]
4 TAX. INC. NOT RECRD	227.			22[illegible]
5 EXP. RECRD. NOT DED.				
DEPRECIATION	2,754.			2,75[illegible]
CONT. CARRYOVERS				
TRAVEL & ENTERTAIN.	3,664.			3,66[illegible]
OTHER	15,790.			15,7[illegible]
6 TOTAL 1-5	1,000,902.			1,000,90[illegible]
7 EXEMPT INCOME				
TAX-EXEMPT INT.				
OTHER	1,421,981.			1,421,98[illegible]
8 DED. IN RET. NOT BOOK				
DEPRECIATION				
CONT. CARRYOVERS				
OTHER	14,300.			14,30[illegible]
9 TOTAL 7-8	1,436,281.	-		1,436,28[illegible]
10 INCOME(LINE 28 P1)	-435,379.			-435,37[illegible]
SCHEDULE M-2				
1 BAL.BEG.OF YEAR	473,713.			473,713
2 NET INCOME PER BOOK	-630,722.			-630,722
3 OTHER INCREASES				
4 TOTAL 1-3	-157,009.			-157,00[illegible]
5 DISTRIBUTIONS				
CASH				
STOCK				
PROPERTY				
6 OTHER DECREASES				
7 TOTAL 5-6				
8 BAL. END OF YEAR	-157,009.			-157,009.

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USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 28
22-2303184

RECONCILIATION OF CONSOLIDATED M-1 AND M-2 SCHEDULES

	1 USR INDUSTRIES, INC.	2 USR METALS, INC.	3 USR LIGHTING, INC.	4 USR CHEMICALS, INC.
	22-2303184	22-2270166	22-2270165	22-227015[illegible]
SCHEDULE M-1				
1 NET INCOME PER BOOK	-502,734.	-41,425.	-2,794.	-19
2 FEDERAL INCOME TAX				
3 EXCESS CAP. LOSSES	1,609,189.			
4 TAX. INC. NOT RECRD		600.		
5 EXP. RECRD. NOT DED.				
DEPRECIATION	1,527.	1,227.		
CONT. CARRYOVERS				
TRAVEL & ENTERTAIN.	3,097.	567.		
OTHER	15,500.	263.	27.	
6 TOTAL 1-5	1,126,579.	-38,768.	-2,767.	-19
7 EXEMPT INCOME				
TAX-EXEMPT INT.				
OTHER	1,403,925.	282.	16,077.	
8 DED. IN RET. NOT BOOK				
DEPRECIATION				
CONT. CARRYOVERS				
OTHER		14,300.		
9 TOTAL 7-8	1,403,925.	14,582.	16,077.	
10 INCOME(LINE 28 P1)	-277,346.	-53,350.	-18,844.	-19.
SCHEDULE M-2				
1 BAL.BEG.OF YEAR	495,446.	29,984.	-30,313.	-205,245.
2 NET INCOME PER BOOK	-502,734.	-41,425.	-2,794.	-19.
3 OTHER INCREASES				
4 TOTAL 1-3	-7,288.	-11,441.	-33,107.	-205,264.
5 DISTRIBUTIONS				
CASH				
STOCK				
PROPERTY				
6 OTHER DECREASES				
7 TOTAL 5-6				
8 BAL. END OF YEAR	-7,288.	-11,441.	-33,107.	-205,264.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 29
22-2303184

RECONCILIATION OF CONSOLIDATED M-1 AND M-2 SCHEDULES

	5 550 POB, INC.	6 METALS FABRICATOR INC	7 USR NATURAL RESOURCES, INC.
	76-0231826	76-0159561	22-2303171
SCHEDULE M-1			
1 NET INCOME PER BOOK	-83,499.	-251.	NONE
2 FEDERAL INCOME TAX			
3 EXCESS CAP. LOSSES			
4 TAX. INC. NOT RECRD	-373.		
5 EXP. RECRD. NOT DED.			
DEPRECIATION			
CONT. CARRYOVERS			
TRAVEL & ENTERTAIN.			
OTHER			
6 TOTAL 1-5	-83,872.	-251.	NONE
7 EXEMPT INCOME			
TAX-EXEMPT INT.			
OTHER	1,697.		
8 DED. IN RET. NOT BOOK			
DEPRECIATION			
CONT. CARRYOVERS			
OTHER			
9 TOTAL 7-8	1,697.		
10 INCOME(LINE 28 P1)	-85,569.	-251.	NONE

SCHEDULE M-2			
1 BAL.BEG.OF YEAR	-15,267.	199,108.	NONE
2 NET INCOME PER BOOK	-83,499.	-251.	NONE
3 OTHER INCREASES			
4 TOTAL 1-3	-98,766.	198,857.	NONE
5 DISTRIBUTIONS			
CASH			
STOCK			
PROPERTY			
6 OTHER DECREASES			
7 TOTAL 5-6			
8 BAL. END OF YEAR	-98,766.	198,857.	NONE

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 30
22-2303184

CONSOLIDATED M-1 AND M-2 SCHEDULES

TAXABLE INCOME NOT RECORDED ON BOOKS (M-1 LINE 4)		
2 USR METALS, INC.		
VACATION ACCRUAL SEC. 481	600.	
SUBTOTAL		600.
5 550 POB, INC.		
NET LOSS FROM THE HOUSTON-PHOENIX CO., LTD. PARTNERSHIP	-436.	
INTEREST INCOME FROM HOUSTON-PHOENIX CO., LTD. PARTNERSHIP	63.	
SUBTOTAL		-373.
TOTAL TAXABLE INCOME NOT RECORDED ON BOOKS		227.

EXPENSES RECORDED ON BOOKS AND NOT DEDUCTED (M-1 LINE 5)		
1 USR INDUSTRIES, INC.		
IMPAIRMENT OF NON-PRODUCING PROP.	500.	
ACCRUED DIRECTOR'S FEES	15,000.	
SUBTOTAL		15,500.
2 USR METALS, INC.		
VACATION ACCRUAL	150.	
SEC. 481 ADJUSTMENT	113.	
SUBTOTAL		263.
3 USR LIGHTING, INC.		
PENALTY-NJ CBT 12/86	27.	
SUBTOTAL		27.
TOTAL EXPENSES RECORDED ON BOOKS AND NOT DEDUCTED		15,790.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

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CONSOLIDATED M-1 AND M-2 SCHEDULES

INCOME ON BOOKS AND NOT INCLUDED IN RETURN (M-1 LINE 7)

1 USR INDUSTRIES, INC.		
LOSS OF UNATCO	-300.	
MARKET WRITE DOWN OF PINNACLE STK	-151,702.	
EQUITY IN EARNINGS OF GOLDEN OIL	-171,863.	
GAIN/LOSS ON DISPOSITION OF ASSETS	1,727,790.	
SUBTOTAL		1,403,925.
2 USR METALS, INC.		
AMORTIZATION OF NOTE DISCOUNT	282.	
SUBTOTAL		282.
3 USR LIGHTING, INC.		
AMORTIZATION OF NOTE DISCOUNT	16,077.	
SUBTOTAL		16,077.
5 550 POB, INC.		
EQUITY IN NET EARNINGS OF LTD PTRS	1,697.	
SUBTOTAL		1,697.
TOTAL INCOME ON BOOKS AND NOT INCLUDED IN RETURN		1,421,981.

USR INDUSTRIES, INC. AND SUBSIDIARIES
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CONSOLIDATED M-1 AND M-2 SCHEDULES

DEDUCTIONS NOT CHARGED AGAINST BOOK INCOME (M-1 LINE 8)

2 USR METALS, INC.

ROUNDING	1.	
UNICAP ADJUSTMENT	-801.	
BAD DEBTS	15,100.	
SUBTOTAL		14,300.
TOTAL DEDUCTIONS NOT CHARGED AGAINST BOOK INCOME		14,300.

- 02 00060 L80815-1252
xx001 08/21/90

USR INDUSTRIES, INC. AND SUBSIDIARIES
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CONSOLIDATED SCHEDULE D & FORM 4797 SUMMARY

	COMBINED TOTALS	ELIMINATIONS
SCHEDULE D		
PART I--SHORT TERM GAINS & LOSSES		
SHORT TERM GAIN (LOSS)	246,776.	
UNUSED CAP. LOSS CARRY	-246,776.	
NET SHORT GAIN		
PART II--LONG TERM GAINS & LOSSES		
SECTION 1231 GAIN	-1,609,189.	
LONG TERM GAIN (LOSS)		
NET LONG GAIN	-1,609,189.	
PARTIII--SUMMARY OF CAPITAL GAINS		
EXCESS SHORT OVER LONG		
EXCESS LONG OVER SHORT		
NET CAPITAL GAIN		
FORM 4797		
PART I--SECTION 1231 GAIN OR LOSS		
GAIN FROM FORM 4684		
GAIN PART III	-118,601.	
OTHER 1231 GAIN (LOSS)		
NET 1231 GAIN	-118,601.	
PART II--ORDINARY GAINS & LOSSES		
GAIN(LOSS) FORM 4684	-118,601.	
SECTION 1231 LOSS		
GAIN PART III		
OTHER GAIN OR LOSS		
NET ORDINARY GAIN	-118,601.	

- 02 00061 L 815-1252
XX001 08/21/90

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

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CONSOLIDATED SCHEDULE D & FORM 4797 SUMMARY

	1 USR INDUSTRIES, INC.	2 USR METALS, INC.	3 USR LIGHTING, INC.	4 USR CHEMICALS, INC.
	22-2303184	22-2270166	22-2270165	22-2270153
SCHEDULE D				
PART I--SHORT TERM GAINS & LOSSES				
SHORT TERM GAIN (LOSS)				
UNUSED CAP. LOSS CARRY	246,776.			
NET SHORT GAIN	-246,776.			
PART II--LONG TERM GAINS & LOSSES				
SECTION 1231 GAIN				
LONG TERM GAIN (LOSS)	-1,609,189.			
NET LONG GAIN	-1,609,189.			
PARTIII--SUMMARY OF CAPITAL GAINS				
EXCESS SHORT OVER LONG				
EXCESS LONG OVER SHORT				
NET CAPITAL GAIN				
FORM 4797				
PART I--SECTION 1231 GAIN OR LOSS				
GAIN FROM FORM 4684				
GAIN PART III				
OTHER 1231 GAIN (LOSS)	-118,601.			
NET 1231 GAIN	-118,601.			
PART II--ORDINARY GAINS & LOSSES				
GAIN(LOSS) FORM 4684				
SECTION 1231 LOSS	-118,601.			
GAIN PART III				
OTHER GAIN OR LOSS				
NET ORDINARY GAIN	-118,601.			

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 35
22-2303184

CONSOLIDATED SCHEDULE D & FORM 4797 SUMMARY

	5 550 POB, INC.	6 METALS FABRICATOR INC	7 USR NATURAL RESOURCES, INC.
	76-0231826	76-0159561	22-2303171
SCHEDULE D			
PART I--SHORT TERM GAINS & LOSSES			
SHORT TERM GAIN (LOSS)			
UNUSED CAP. LOSS CARRY			
NET SHORT GAIN			
PART II--LONG TERM GAINS & LOSSES			
SECTION 1231 GAIN			
LONG TERM GAIN (LOSS)			
NET LONG GAIN			
PARTIII--SUMMARY OF CAPITAL GAINS			
EXCESS SHORT OVER LONG			
EXCESS LONG OVER SHORT			
NET CAPITAL GAIN			
FORM 4797			
PART I--SECTION 1231 GAIN OR LOSS			
GAIN FROM FORM 4684			
GAIN PART III			
OTHER 1231 GAIN (LOSS)			
NET 1231 GAIN			
PART II--ORDINARY GAINS & LOSSES			
GAIN(LOSS) FORM 4684			
SECTION 1231 LOSS			
GAIN PART III			
OTHER GAIN OR LOSS			
NET ORDINARY GAIN			

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 36
22-2303184

SCHEDULE D

PART II.--CAPITAL ASSETS
LONG-TERM CAPITAL GAINS AND LOSSES - ASSETS HELD MORE THAN SIX MONTHS

KIND OF PROPERTY	DATE ACQUIRED	DATE SOLD	GROSS SALES PRICE	COST OR OTHER BASIS	GAIN OR LOSS
GOLDEN OIL CO. (FORMERLY PINNACLE PETROLEUM, INC.)	071983	031389	85,148.	640,978.	-555,830.
GOLDEN OIL CO. (FORMERLY PINNACLE PETROLEUM, INC.)	071983	032989	120,000.	324,548.	-204,548.
GOLDEN OIL CO. (FORMERLY PINNACLE PETROLEUM, INC.)	071983	062989	15,000.	116,407.	-101,407.
GOLDEN OIL CO. (FORMERLY PINNACLE PETROLEUM, INC.)	071983	113089	114,494.	861,898.	-747,404.
SUB-TOTALS SCHEDULE D			334,642.	1,943,831.	-1,609,189.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 37
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FORM 4797

PART I. - SALES OR EXCHANGES OF PROPERTY USED IN A TRADE OR BUSINESS

KIND OF PROPERTY	DATE ACQUIRED	DATE SOLD	GROSS SALES PRICE	DEPREC.	COST OR OTHER BASIS	GAIN OR LOSS
LEASE-WALL #4-6A	011583	123189	NONE	6,262.	6,262.	
NON-PRODUCING PROP.	123183	123189	NONE	NONE	118,601.	-118,601.
SUB-TOTALS TO FORM 4797				6,262.	124,863.	-118,601.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 38
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REGULAR INVESTMENT CREDIT

OTHER PCT ITC SCH. : OTHER

1. RECOVERY PROPERTY	RECOVERY PERIOD	UNADJUSTED BASIS	PERCENTAGE	QUALIFIED INVESTMENT
NEW	3-YR		60	
	OTHER		100	
USED	3-YR		60	
	OTHER		100	
TOTAL RECOVERY PROPERTY............................				

2. NONRECOVERY PROPERTY	LIFE YEARS	BASIS	PERCENTAGE	QUALIFIED INVESTMENT
	3-5		33.3	
NEW	5-7		66.6	
	7+		100	
	3-5		33.3	
USED	5-7		66.6	
	7+		100	
TOTAL NONRECOVERY PROPERTY.........................				
3. TOTAL..				
RATE				NONE
TOTAL CREDIT FROM OTHER PCT PROPERTY................				

USR INDUSTRIES, INC. AND SUBSIDIARIES
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FOR TAX YEAR ENDED: 12-31-89

STATEMENT 39
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FORM 3800 CONSOLIDATION - GEN. BUS. CR. SUMMARY

TENTATIVE GEN. BUS. CREDIT BY COMPANY I. D. & NAME	TENTATIVE GEN. BUS. CR.
CARRYOVER OF UNUSED CREDITS	
1 22-2303184 USR INDUSTRIES, INC.	6,741.
2 22-2270166 USR METALS, INC.	6,502.
3 22-2270165 USR LIGHTING, INC.	13,708.
4 22-2270153 USR CHEMICALS, INC.	2,414.
AMOUNT TO FORM 3800	29,365.

- 02 00067 L0815-1252
XX001 08/21/90

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 40
22-2303184

CONSOLIDATED DEPRECIATION SUMMARY

1 USR INDUSTRIES, INC.		1,471
2 USR METALS, INC.	1,775.	
LESS AMOUNT CLAIMED ELSEWHERE IN RETURN	1,775.	
		NON
3 USR LIGHTING, INC.		58,723
4 USR CHEMICALS, INC.		NON
5 550 POB, INC.		NON
6 METALS FABRICATOR INC		NON
7 USR NATURAL RESOURCES, INC.		NON
TOTAL DEPRECIATION DEDUCTION, 1120 PAGE 1		60,194

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 4
22-2303184

CONSOLIDATED DEPRECIATION SCHEDULES

TYPE PROPERTY SUBSIDIARY	COST OR BASIS	DATE ACQD	DEP ALLOWED PRIOR YEARS	METH	RATE LIFE	DEPRECIATION THIS YEAR
FORM 4562						
PART 1 - SECTION B - MACRS DEPRECIATION						
LINE 13 - GENERAL DEPRECIATION SYSTEM (GDS)						
(C) 7-YEAR PROPERTY						
1	644.	VAR		VAR	VAR	23.
2	7,108.	VAR		VAR	VAR	1,016.
SUBTOTAL	7,752.					1,039.
LINE 16 - MACRS DEDUCTION FOR ASSETS PLACED IN SERVICE IN PRIOR YEARS						
1	5,069.	VAR	726.	VAR	VAR	1,240.
2	4,338.	VAR	1,682.	VAR	VAR	759.
SUBTOTAL	9,407.		2,408.			1,999.
PART 1 - SECTION C - ACRS AND/OR OTHER DEPRECIATION						
LINE 18 - ACRS AND/OR OTHER DEPRECIATION						
ACRS DEPRECIATION						
2	13,770.	VAR	13,770.	VAR	VAR	
SUBTOTAL	13,770.		13,770.			
OTHER DEPRECIATION						

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 42
22-2303184

CONSOLIDATED DEPRECIATION SCHEDULES

TYPE PROPERTY SUBSIDIARY	COST OR BASIS	DATE ACQD	DEP ALLOWED PRIOR YEARS	METH	RATE LIFE	DEPRECIATION THIS YEAR
SECTION LINE 18 - CONTINUED						
1	36,260.	VAR	35,845.	VAR	VAR	208.
2	851,498.	VAR	851,498.	VAR	VAR	
3	739,945.	VAR	366,970.	VAR	VAR	58,723.
SUBTOTAL	1,627,703.		1,254,313.			58,931.
TOTAL LINE 18						58,931.
PART 1 - SECTION D - SUMMARY						
TOTAL LINE 19						61,969.

- 02 00070 L 315-1252
XX001 08/21/90

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

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22-2303184

FORM 4626 DEPRECIATION DETAIL

SUB	ASSETS	DEPR./TAX	DEPR./AMT	EXCESS
1	EXEC. DESK (WALNUT)	279.	158.	121.
	CREDENZA (WALNUT)	209.	119.	90.
	EXEC. DESK (CHERRY)	142.	80.	62.
	CREDENZA (CHERRY)	127.	72.	55.
	2 DRWR LATERAL FILE	159.	90.	69.
	EXEC. SWIVEL CHAIR	106.	60.	46.
	EXEC. SWIVEL CHAIR	102.	58.	44.
	3 LURE SKETCHES	116.	66.	50.
	CREDENZA (WALNUT)	23.	12.	11.
2	MACHINERY & EQUIPMNT	566.	293.	273.
	TOOLS & DIES	193.	100.	93.
	SECURITY FENCE	848.	318.	530.
	RADON DATALOGGER	168.	63.	105.
		3,038.	1,489.	
	TOTAL DEPR. OF PROPERTY PLACED IN SERVICE AFTER 1986..			1,549.

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

STATEMENT 44
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****** DETAIL STATEMENTS SUPPORTING FORM 5471 ******

SCHEDULE 'B' DETAIL

NAME USR INDUSTRIES, INC
ADDRESS 550 POST OAK BLVD #550 HOUS,TX
I.D. # 22-2303184

	SHARES OF OUTSTANDING STOCK BEGINNING OF ACCOUNTING PERIOD	END OF ACCOUNTING PERIOD	PRORATA SHARE OF SUBPART F AND G INCOME
% OF OWNERSHIP OF CORPORATION (VALUE) = 100			
DIRECTLY	40000.0000	40000.0000	
INDIRECTLY			
CONSTRUCTIVELY			

FOREIGN CORPORATION VOTING STOCK OWNED

TOTAL PERCENTAGE OF STOCK OWNED AT END OF ACCOUNTING PERIOD 100.0000000 %

USR INDUSTRIES, INC. AND SUBSIDIARIES
HOUSTON, TEXAS 77027
FOR TAX YEAR ENDED: 12-31-89

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****** DETAIL STATEMENTS SUPPORTING FORM 5471 ******

SCHEDULE C DETAIL

OTHER DEDUCTIONS

ANNUAL FEES-DELTEC PANAMERICA	300.
TOTAL OTHER DEDUCTIONS	300.

A description of all disposals of radioactive material that have been made on site under 10 C.F.R. § 20.302 or § 20.304, including records of the disposals indicating their location, number, isotope, description, quantities, and dates of disposal are set forth in the SLC Response to Demand For Information at Tab 3(a). The information contained in the SLC Response to Demand for Information at Tab 3(a) remains current and is accurate as of the date of this submission.

A description of the nature of any contamination of buildings, equipment, soil or groundwater, including area or volume contaminated, isotope, and concentrations per unit area or volume are set forth in the SLC Response for Demand for Information at Tab 3(b). The information contained in the SLC Response to Demand for Information at Tab 3(b) remains current and is accurate as of the date of this submission.

A description of the nature of any radioactive material in storage either as inventory, in production, or waste is set forth in the SLC Response to Demand for Information at Tab 3(c). The information submitted in the SLC Response to Demand for Information at Tab 3(c) remains accurate as of the date of this submission.

A description of any increase in the amount of accumulated radioactive waste or contamination of buildings, equipment, soil or groundwater resulting from continuing operations, including the type of waste or contamination, its location, and the rate of increase per month are set forth in SLC's Response to Demand for Information at Tab 3(d). The information set forth in the SLC Response to Demand for Information at Tab 3(d) remains accurate as of the date of this submission.

A description of current plans to remove stored waste or decontaminate buildings, equipment, soil, or groundwater, including a schedule, identification of repository proposed to receive the waste or contaminated materials, and the source of funds for implementing the plans is set forth in SLC's Response to Demand for Information at Tab 3(e). The information set forth in SLC's Response to Demand for Information at Tab 3(e) remains accurate as of the date of this submission.

On October 15, 1990, USR Industries, Inc. and Safety Light Corporation forwarded to the NRC a copy of the Chem-Nuclear Systems, Inc. report on its characterization of the Safety Light Corporation site in Bloomsburg, Pennsylvania. A copy of the Chem-Nuclear report is attached to the SLC Response to Demand for Information at Tab 3(b)(6). The report concludes that the groundwater flow pattern in north-south towards the Susquehana River and that the abandoned canal does not appear to be a potential pathway for east-west migration. This conclusion supports the NRC Staff's initial findings that there is no significant off-site contamination (see Order Modifying Licensee, Effective Immediately), Demand For Information, March 15, 1990, at 6; SECY-90-121 March 29, 1990 at Appendix A; Licensing Board Order (November 22, 1989) at 3 (unpublished), and that there is no imminent public health and safety threat. In addition, there is no evidence that shows that further operations on the site will exacerbate the condition of the site. To the contrary, and set forth at Tab 3(f) of the SLC Response to Demand for Information, SLC has taken significant steps to reduce the amount of tritium released into the environment as a result of current operations.

As set forth in the October 19, 1990, letter from the Hannoch Weisman law firm to Robert Weisman, NRC Office of General Counsel, the Hannoch Weisman law firm represents SLC and USR

Industries in litigation in state court in New Jersey for declaratory judgment against 19 insurance carriers who between the mid-40's and 1984 provided primary and/or excess general liability coverage to U.S. Radium and Safety Light and/or USR Industries. Since 1985 there has been a great deal of litigation involving coverage for both governmental and private claims against Safety Light and/or USR Industries. In June 1989 the complaint in the insurance litigation was amended to add the NRC claim. The New Jersey action is set for trial in April 1991. In the interim, Hannoch Weisman has entered into vigorous settlement negotiations with several insurers with respect to certain private claims. The Hannoch Weisman firm is prepared to continue to litigate this matter with respect to the NRC claim against the insurance companies with the fees drawn from settlements being entered into with the insurance companies. USR Industries and SLC propose to submit a status report prepared by the Hannoch Weisman firm reporting on the insurance litigation to the NRC staff every six months. In addition, USR Industries and SLC are prepared to establish a separate trust account into which they will deposit any funds obtained through settlement or through a judgment, to be used to decontaminate the site.

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