SIEMENS

December 20, 1990

U.S. Nuclear Regulatory Commission
Fuel Cycle Safety Branch
Division of Industrial and Medical Nuclear Safety, NMSS
Washington, DC 20555

Attention: Charles J. Haughney, Chief

Re: Decommissioning Financial Responsibility
License No. SNM-1227

Dear Mr. Haughney:

I am the chief financial officer of Siemens Corporation, a Delaware corporation. This letter is in support of Siemens Corporation's use of the financial test to demonstrate financial assurance, as specified in 10 CFR Part 70.

Siemens Corporation guarantees, through the parent company guarantee submitted to demonstrate compliance under 10 CFR Part 70, the decommissioning of the following facility owned and operated by Advanced Nuclear Fuels Corporation, a subsidiary of Siemens Corporation. The current cost estimate, so guaranteed, is shown for the facility:

Name of Facility	Location of Facility	Current Cost Estimate (in thousands of dollars)
Advanced Nuclear Fuels Corporation License No. SNM-1227	2101 Horn Rapids Road Richland, WA 99352	$20,000

Siemens Corporation is not required to file a Form 10-K with the U.S. Securities and Exchange Commission.

The fiscal year of the Siemens Corporation ends on September 30. The figure for the following item marked with an asterisk is derived from Siemens Corporation's independently audited, consolidated financial statements for the year ended September 30, 1990.

Siemens Corporation

1301 Avenue of the Americas New York, New York 10019 (212) 258-4000 Telex 125199

Financial Test: Alternative II

	In thousands of dollars	
1. Decommissioning cost estimate for facility, special nuclear material license No. SNM-1227.	$20,000	
2. Current bond rating of the most recent issuance of this firm and name of rating service. Siemens Corporation has an active $1.0 billion U.S. commercial paper program which is currently rated A1+ by Standard & Poor's, and P1 by Moody's. Ratings are confirmed annually.		
3. Date of issuance of bond		
4. Date of maturity of bond		
5.* Tangible net worth plus accrued decommissioning costs	$1,022,314	
6. Total assets in United States (required only if less than 90 percent of the firm's assets are located in the United States). Note: Over 90% of Siemens Corporation's total assets are located in the United States.	N/A	

	Yes	No
7. Is line 5 at least $10 million?	X	
8. Is line 5 at least 6 times line 1?	X	
9. Are at least 90 percent of firm's assets located in the United States? If not, complete line 10.	X	
10. Is line 6 at least 6 times line 1?	N/A	

* Denotes figure derived from the Siemens Corporation consolidated financial statements for the year ended September 30, 1990.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

SIEMENS CORPORATION

By Peter H. Kroener
(Signature)

Dr. Peter H. Kroener
(Name)

Vice President and Controller
(Title)

153 East 53rd Street
New York, NY 10022

Telephone 212 371 2000
Telex 666866
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212 688 5460

Price Waterhouse

December 20, 1990

Dr. Peter H. Kroener
Vice President and Controller
Siemens Corporation
1301 Avenue of the Americas
New York, New York 10019

Dear Dr. Kroener:

At your request, we have performed the procedures enumerated below with respect to the Siemens Corporation "Schedule Reconciling Amounts Contained in Chief Financial Officer's Letter With Amounts Included in the Consolidated Financial Statements for the Year Ended September 30, 1990" set forth in the accompanying Exhibit I. Siemens Corporation prepared the information contained in Exhibit I to demonstrate its financial responsibility under the U.S. Nuclear Regulatory Commission's financial assurance regulations 10 CFR Part 70, and to assist its wholly-owned subsidiary and licensee, Advanced Nuclear Fuels Corporation (License No. SNM-1227), in complying with such regulations.

Our procedures, with respect to the information contained in Exhibit I, were as follows:

1. We agreed the amounts entitled "Stockholder's equity" and "Intangible assets, net" to amounts reported on the Siemens Corporation consolidated balance sheet as of September 30, 1990 which is included in the Siemens Corporation consolidated financial statements for the year ended September 30, 1990. We have previously examined the Siemens Corporation consolidated financial statements for the year ended September 30, 1990 in accordance with generally accepted auditing standards and have issued our report thereon dated November 14, 1990.

2. We agreed the amount entitled "Accrued decommissioning costs" to an amount included in a Siemens Corporation prepared schedule. This schedule analyzes the components of the amount reported as "Other Long Term Liabilities" on the Siemens Corporation consolidated balance sheet as of September 30, 1990 which is included in the Siemens Corporation consolidated financial statements for the year ended September 30, 1990.

3. We determined the arithmetical accuracy of the amounts entitled "Tangible net worth" and "Tangible net worth plus accrued decommissioning costs".

4. We agreed the amount in the column captioned "Per Chief Financial Officer's Letter" to the amount reported as "Tangible net worth plus accrued decommissioning costs" in the December 20, 1990 letter from Dr. Peter H. Kroener, Vice President and Controller of Siemens Corporation, to the U.S. Nuclear Regulatory Commission.

Because the above procedures are not sufficient to constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on any of the amounts, accounting records or the letter referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the information contained in Exhibit I should be adjusted. Had we performed additional procedures, matters might have come to our attention that would have been reported to you.

This report relates only to the Siemens Corporation "Schedule Reconciling Amounts Contained in Chief Financial Officer's Letter With Amounts Included in the Consolidated Financial Statements for the Year Ended September 30, 1990" set forth in the accompanying Exhibit I and does not extend to any other documents.

It is understood that this report is to be provided by the management of Siemens Corporation to the U.S. Nuclear Regulatory Commission to comply with the financial assurance regulations referred to in the first paragraph of this report. This report should not be referred to or distributed for any other purpose without our prior consent.

Yours very truly,

Price Waterhouse

Attachment - Exhibit I

Exhibit I

SIEMENS CORPORATION

SCHEDULE RECONCILING AMOUNTS CONTAINED IN

CHIEF FINANCIAL OFFICER'S LETTER WITH AMOUNTS INCLUDED IN THE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

SEPTEMBER 30, 1990

	($ in thousands)		
	Per Consolidated Financial Statements	Reconciling Item	Per Chief Financial Officers's Letter
Stockholder's equity	$1,237,015		
Less: Intangible assets, net	221,089		
Tangible net worth	1,015,926		
Add: Accrued decommissioning costs		6,388	
Tangible net worth plus accrued decommissioning costs			$1,022,314

SIEMENS CORPORATION
(A wholly owned subsidiary of
Siemens AG)

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1990 AND 1989

153 East 53rd Street
New York, NY 10022

Telephone 212 371 2000
Telex 666666
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212 688 5460

Price Waterhouse

November 14, 1990

To the Board of Directors
and Stockholder of
Siemens Corporation

REPORT OF INDEPENDENT ACCOUNTANTS

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and accumulated deficit and of cash flows present fairly, in all material respects, the financial position of Siemens Corporation and its subsidiaries at September 30, 1990 and 1989, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of Siemens Corporation management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

SIEMENS CORPORATION
(A wholly owned subsidiary of Siemens AG)

CONSOLIDATED BALANCE SHEETS

	September 30, 1990	September 30, 1989
	($ in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,514	$ 65,260
Marketable securities	28,994	24,344
Notes and accounts receivable, net	943,132	949,524
Investments in sales-type leases, net	55,793	46,625
Inventory, net	843,207	823,078
Other	174,956	137,123
Total current assets	2,082,596	2,045,954
Long-term receivables and other assets	313,165	322,032
Investments in sales-type leases, net	149,710	119,826
Investments in and advances to less than majority-owned companies	127,891	121,195
Fixed assets, net	582,905	554,217
Intangible assets, net	221,089	284,063
Total assets	$3,477,356	$3,447,287
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 949,739	$ 922,783
Loans and notes payable	853,157	970,164
Other	227,306	214,760
Total current liabilities	2,030,202	2,107,707
Long-term debt	113,256	113,818
Other long-term liabilities	96,883	56,863
Total liabilities	2,240,341	2,278,388
Stockholder's equity:		
Common stock - $1.00 par value; 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	2,250,515	2,100,515
Accumulated deficit	(1,013,501)	(931,617)
	1,237,015	1,168,899
Commitments and contingent liabilities		
Total liabilities and stockholder's equity	$3,477,356	$3,447,287

See accompanying notes to the consolidated financial statements.

SIEMENS CORPORATION
(A wholly owned subsidiary of Siemens AG)

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

	For the years ended September 30, 1990	1989
	($ in thousands)	
Net sales and other income and expense	$3,660,039	$3,449,199
Costs and expenses:		
Cost of products sold	2,689,204	2,565,044
Selling, general and administrative	1,009,650	1,085,069
Interest, net	8,811	20,476
	3,707,665	3,670,589
Loss before equity in net loss of associated companies and income tax provision	(47,626)	(221,390)
Equity in net loss of associated companies	(21,817)	(6,913)
Loss before income tax provision	(69,443)	(228,303)
Income tax provision	(12,441)	(9,559)
Net loss	(81,884)	(237,862)
Accumulated deficit at beginning of year	(931,617)	(693,755)
Accumulated deficit at end of year	($1,013,501)	($ 931,617)

See accompanying notes to the consolidated financial statements.

SIEMENS CORPORATION
(A wholly owned subsidiary of Siemens AG)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Decrease) increase in cash and cash equivalents

	For the years ended September 30, 1990	1989
	($ in thousands)	
Cash flows from operating activities:		
Net loss	($ 81,884)	($237,862)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	232,791	233,650
Equity in net loss of associated companies	21,817	6,913
Change in assets and liabilities which affect operations:		
Notes and accounts receivable, net	6,392	(151,280)
Investments in sales-type leases, net	(39,052)	(76,059)
Inventory, net	(20,129)	(35,103)
Accounts payable and accrued expenses	3,681	54,583
Other current assets and liabilities, net	(25,288)	(28,438)
Other long-term liabilities	22,045	21,666
Working capital (disposed) acquired, net	(14,784)	5,187
Other	(18,068)	(5,516)
Net cash provided by (used for) operating activities	87,521	(212,259)
Cash flows from investing activities:		
Capital expenditures	(137,698)	(148,718)
Cost of acquisitions, net of cash acquired	(68,456)	(14,735)
Proceeds from sale of businesses	60,480	
Purchases of marketable securities	(4,650)	(1,460)
Proceeds from sale of fixed assets	3,615	34,500
Net cash used for investing activities	(146,709)	(130,413)
Cash flows from financing activities:		
Capital contributions	150,000	200,000
Proceeds from issuance of commercial paper	1,060,380	963,450
Repayments of commercial paper	(1,102,739)	(986,450)
(Repayments) proceeds of loans and notes payable	(77,199)	171,388
Net cash provided by financing activities	30,442	348,388
Net (decrease) increase in cash and cash equivalents	(28,746)	5,716
Cash and cash equivalents at beginning of year	65,260	59,544
Cash and cash equivalents at end of year	$ 36,514	$ 65,260

Interest and income taxes paid totaled $77 million and $8 million in 1990 and $100 million and $8 million in 1989.

See accompanying notes to the consolidated financial statements.

SIEMENS CORPORATION
(A wholly owned subsidiary of Siemens AG)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1990 AND 1989

NOTE 1 - BUSINESS:

Siemens Corporation is a United States holding and finance company. Its subsidiaries, in cooperation with the Siemens AG worldwide groups, develop, manufacture and market equipment for the generation, distribution, regulation and control of electrical energy, medical equipment for diagnostic imagery and therapy, cardiac pacemakers, electronic equipment for telephone applications, electronic printing equipment, lighting equipment and electronic components. In addition, Siemens Corporation subsidiaries import from their ultimate parent, Siemens AG, or its affiliates, medical, power engineering, communication, and electronic component and lighting products which are sold or leased in the United States. Included in the accompanying consolidated statements of operations are amounts received from affiliates principally to cover the costs of certain projects and services carried out by various units of Siemens Corporation under agreements with and for the benefit of those affiliates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation:

The consolidated financial statements include the accounts of Siemens Corporation and majority-owned subsidiaries (the "Company"). Investments in companies owned 20% to 50% are accounted for on the equity method. Companies owned less than 20% are generally accounted for on the cost method. All significant intercompany accounts and transactions have been eliminated.

Research and development:

Research and development costs are expensed as incurred and amounted to $119 million and $120 million in 1990 and 1989, respectively.

Foreign exchange:

The Company may enter into forward foreign exchange agreements to hedge the exchange rate on foreign currency-denominated receivables and payables. The net gains and losses resulting from the translation of foreign currency-denominated receivables and payables, forward foreign exchange agreements and foreign currency transactions are included in operations and are not significant.

Interest income and expense:

The Company may enter into interest rate swap agreements to effectively manage interest rate exposure. The effects of these agreements are included in operations as components of interest, net.

Net sales and other income and expense:

Net sales and other income and expense includes \$372 million and \$308 million from affiliated companies for fiscal 1990 and 1989, respectively. Additionally, miscellaneous expense of \$9 million and miscellaneous income of \$6 million were recorded in fiscal 1990 and 1989, respectively.

Income taxes:

The United States federal income tax return of the Company includes all 80% or more owned domestic subsidiaries. Income taxes have been determined under Statement of Financial Accounting Standards No. 96, "Accounting For Income Taxes" which requires that any deferred tax liability or asset be determined based upon the differences between the financial statement and tax bases of assets and liabilities as measured by enacted tax rates in effect when these differences are expected to reverse. The principal types of differences between the Company's bases of assets and liabilities for financial statement and tax purposes are acquisitions accounted for by the purchase method, recognition of installment sales, inventory valuations, provisions for warranty and certain other accrued expenses and depreciation of fixed assets.

Revenue recognition:

Sales are recognized generally when products are shipped. Certain equipment lease agreements are accounted for as sales-type leases, whereby unearned income is recognized through amortization over the life of the lease. Long-term contracts are generally accounted for under the completed contract method.

Marketable securities:

Marketable securities are carried at the lower of cost or market. Net realized gains and losses from sales are determined on a specific identification cost basis. At September 30, 1990 and 1989, cost approximated market value.

Inventory:

Inventories are stated at the lower of cost or market. The primary methods of determining cost are first in, first out and average cost. Market is determined based upon net realizable value.

Fixed assets and depreciation:

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

Additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred.

Intangible assets and amortization:

Intangible assets are recorded at cost, less accumulated amortization. The excess of cost over the fair value of net assets of businesses acquired, at the date of acquisition, is generally amortized over a period of 30 years on a straight-line basis. Patents, trademarks and other intangible assets are amortized over their estimated useful lives (3 to 20 years) on a straight-line basis.

Through the ongoing review of operating plans, the Company determined during fiscal 1990 and 1989 that certain intangible assets were permanently impaired. Accordingly, provisions of $106 million and $92 million were recorded as selling, general and administrative expense for the years ended September 30, 1990 and 1989, respectively.

Accumulated amortization at September 30, 1990 and 1989 was $70 million and $250 million, respectively.

Presentation:

The Company has reclassified the presentation of certain prior year information to conform with the current year's presentation.

NOTE 3 - BUSINESS CHANGES:

Acquisitions:

During the years ended September 30, 1990 and 1989, the Company completed a number of acquisitions all of which were accounted for under the purchase method. The excess of the total recorded purchase price over the estimated fair value of the aggregate net assets acquired approximated $49 million for fiscal 1990 and was not significant for fiscal 1989. The results of operations of businesses acquired have been included in the consolidated financial statements from the respective dates of acquisition. These acquisitions were not significant in relation to the consolidated financial statements.

Dispositions:

On April 1, 1990, the Company transferred substantially all of the net assets of its wholly owned subsidiary Tel-Plus Communications, Inc. ("TPC") to a newly formed partnership between the Company and an affiliate of its parent, in return for a 1% partnership interest and a $16 million note receivable from an affiliate of its parent. The net asset transfer was at historical cost and, accordingly, no gain or loss was recorded as a result of this transaction. TPC had net sales of $63 million during the six-month period ended March 31, 1990 and $171 million during the year ended September 30, 1989.

The Company also completed certain other dispositions which were not significant to the consolidated financial statements.

The Company recorded restructuring provisions of $7 million and $83 million, net, for the years ended September 30, 1990 and 1989, respectively, primarily in connection with the TPC disposition.

NOTE 4 - CASH AND CASH EQUIVALENTS:

At September 30, 1990 and 1989, the Company had time deposits of $10 million and $30 million, respectively.

NOTE 5 - NOTES AND ACCOUNTS RECEIVABLE, NET:

Notes and accounts receivable included in current assets consist of the following:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Third party receivables	$701,362	$772,031
Less - Allowance for doubtful accounts	(63,585)	(75,320)
	637,777	696,711
Receivables from affiliated companies, net	305,355	252,813
	$943,132	$949,524

Long-term receivables and other assets of $313 million and $322 million at September 30, 1990 and 1989 include amounts due from affiliates of $100 million and $101 million, respectively. Long-term receivables earn interest at rates varying from approximately 10.2% to approximately 14.8% and mature in varying amounts through 1997.

NOTE 6 - INVESTMENTS IN SALES-TYPE LEASES, NET:

Investments in sales-type leases included in current and long-term assets consist of the following:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Total minimum lease payments to be received	$252,992	$202,941
Less - Unearned income	(47,489)	(36,490)
	$205,503	$166,451

The Company's leasing operations consist principally of leasing medical, telecommunications and electronic printing equipment. The terms of these leases generally allow the lessee to purchase the equipment at the end of the lease period at a nominal charge.

Minimum lease payments receivable in each of the following five fiscal years are as follows:

	($ in thousands)
1991	$67,520
1992	60,891
1993	52,815
1994	41,287
1995	24,608

NOTE 7 - INVENTORY, NET:

Inventory consists of the following:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Raw materials	$188,511	$175,319
Work-in-process	164,915	138,912
Finished goods	489,781	508,847
	$843,207	$823,078

NOTE 8 - OTHER CURRENT ASSETS:

Other current assets consist of the following:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Receivables from associated companies	$ 80,555	$ 51,428
Prepaid expenses	42,586	28,868
Income and other taxes receivable	7,979	8,796
Miscellaneous	43,836	48,031
	$174,956	$137,123

NOTE 9 - INVESTMENTS IN AND ADVANCES TO LESS THAN MAJORITY-OWNED COMPANIES:

At September 30, 1990 and 1989, investments in and advances to less than majority-owned companies include investments in companies accounted for by the equity and cost methods.

Summary financial information for all companies accounted for on the equity method is shown below:

	September 30, 1990	1989
	(Unaudited) ($ in thousands)	
Total assets	$254,021	$274,980
Total liabilities	(170,097)	(172,512)
Net assets	$ 83,924	$102,468
Revenues	$398,015	$381,477
Net loss	(10,432)	(9,255)
Company's equity in net assets	48,224	53,476
Company's equity in net loss	(21,817)	(6,913)

The Company's equity in net loss of associated companies exceeds its ownership interest due to a contractual requirement. The excess of the Company's investments over its equity in values assigned to net tangible assets amounted to $41 million and $[illegible]8 million at September 30, 1990 and 1989, respectively. Amortization of such excess investment costs amounted to $2 million and $3 million in 1990 and 1989, respectively. The Company's share of the undistributed earnings of all such companies at September 30, 1990 was not significant in relation to the consolidated financial statements. During 1990, the Company purchased the remaining interests of certain equity investments and, accordingly, these interests have been consolidated.

The investments in companies accounted for by the cost method of $30 million and $31 million at September 30, 1990 and 1989, respectively, are recorded at the lower of cost or market. The Company's cost basis investments consist principally of an approximate 10.0% interest in unregistered restricted common shares of Advanced Micro Devices, Inc.

NOTE 10 - FIXED ASSETS, NET:

Major classes of fixed assets are summarized below:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Land	$ 59,219	$ 55,896
Buildings, including leasehold improvements	270,952	238,430
Machinery, equipment and other	730,645	704,245
	1,060,816	998,571
Less - Accumulated depreciation	(477,911)	(444,354)
	$ 582,905	$554,217

NOTE 11 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses are summarized below:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Accounts payable:		
Third parties	$175,308	$176,307
Affiliates	286,948	234,890
Accrued expenses:		
Third parties	478,987	487,406
Affiliates	8,496	24,180
	$949,739	$922,783

NOTE 12 - LOANS AND NOTES PAYABLE:

Loans and notes payable are summarized below:

	September 30, 1990	September 30, 1989
	($ in thousands)	
Demand and other loans payable to affiliates (8.0% to 9.5% in 1990 and 6.9% to 10.5% in 1989)	$568,689	$571,646
Notes, loans payable and commercial paper (8.1% to 12.0% in 1990 and 7.0% to 9.5% in 1989)	284,468	398,518
	$853,157	$970,164

The Company may issue up to $1.2 billion of commercial paper which is guaranteed by its parent. In addition, the Company has available formal bank lines of credit in the amount of $220 million.

NOTE 13 - OTHER CURRENT LIABILITIES:

Other current liabilities are summarized below:

	September 30, 1990 ($ in thousands)	September 30, 1989 ($ in thousands)
Deferred income	$165,652	$156,110
Income and other taxes payable	24,062	24,425
Miscellaneous	37,592	34,225
	$227,306	$214,[illegible]60

NOTE 14 - LONG-TERM DEBT:

Long-term debt consists of the following:

	September 30, 1990 ($ in thousands)	September 30, 1989 ($ in thousands)
Loans payable to affiliates (8.3% to 9.3% in 1990 and 8.2% to 10.0% in 1989; due in varying amounts through 1998)	$ 60,570	$ 60,279
Mortgages, loans and notes payable (6.4% to 10.4%; due in varying amounts through 2017)	56,621	55,828
Less - Current portion (included in loans and notes payable)	(3,935)	(2,289)
	$113,256	$113,818

Mortgages and notes payable of $19 million are secured by certain real estate and other assets pledged as collateral.

Total interest expense on short and long-term borrowings amounted to $91 million and $100 million, including $18 million and $12 million paid to affiliates in 1990 and 1989, respectively.

Total scheduled payments of long-term obligations in each of the following five fiscal years are as follows:

	($ in thousands)
1991	$3,935
1992	3,811
1993	3,593
1994	1,740
1995	2,545

NOTE 15 - INCOME TAXES:

The income tax provision consists of the following:

	September 30, 1990	1989
	($ in thousands)	
State and local	$11,160	$8,538
Foreign	1,281	1,021
	$12,441	$9,559

The Company does not recognize tax benefits for losses which can only be carried forward. Unused losses of $443 million for tax purposes and $983 million for financial statement purposes will be carried forward and expire as follows:

	Loss carryforward ($ in thousands)
From September 30:	
1981 (expires in 1996)	$ 3,000
1982 (expires in 1997)	35,000
1986 (expires in 2001)	38,000
1987 (expires in 2002)	50,000
1988 (expires in 2003)	68,000
1989 (expires in 2004)	22,000
1990 (expires in 2005)	227,000
Net operating loss carryforward - tax purposes	443,000
Unrecognized future deductible temporary differences	540,000
Net operating loss carryforward - financial statements	$983,000

The Internal Revenue Service has completed its examination of the Company's income tax returns for the three fiscal years ended September 30, 1985. Adjustments have been proposed dealing primarily with transactions between the Company and its parent. These proposed adjustments would not affect the consolidated financial position of the Company as reported but may significantly reduce the tax net operating loss carryforward. Management is vigorously contesting the proposed adjustments and believes the Company will prevail in its efforts.

The Company has unused investment tax credits of $14 million at the end of 1990 which may be carried forward and expire in years 1992 through 2001. These amounts represent the investment tax credits available to be carried forward after giving effect to the 35% post-1986 reduction imposed by the Tax Reform Act of 1986.

Deferred taxes are not provided on the undistributed earnings of certain consolidated foreign subsidiaries as these earnings are considered indefinitely reinvested. At September 30, 1990, such undistributed earnings were not significant.

In 1990 and 1989, the effective income tax rate differs from the federal statutory rate due to the nonrecognition of a benefit from the net operating loss carryforwards, offset by foreign, state and local income taxes.

NOTE 16 - EMPLOYEE BENEFIT PLANS:

The Company has noncontributory defined benefit pension plans covering most of its employees as well as certain employees of affiliated companies. The benefits for these plans are based primarily on years of service and employees' compensation. Annual contributions to the plans are at least equal to the minimum required by law and reflect estimates of long-term funding requirements to maintain these plans.

The actuarial computations of 1990 and 1989 net periodic pension cost assumed discount rates of 8.0% to 8.5%, expected rates of return on plan assets of 8.0% to 8.5% and annual salary increases in the range of 3.8% to 8.0%. The actuarially computed net periodic pension cost for 1990 and 1989 included the following components:

	Year ended September 30,	
	1990	1989
	($ in thousands)	
Current service cost	$37,648	$28,410
Interest cost on projected benefit obligations	28,930	24,959
Actual return on plan assets	(26,788)	(47,673)
Net amortization and deferral	(6,584)	18,550
Subtotal	33,206	24,246
Amounts allocated to affiliated companies	(7,217)	(775)
Net periodic pension cost	$25,989	$23,471

The following table sets forth the funded status of the plans and the amounts recorded in the Company's consolidated balance sheets at September 30, 1990 and 1989:

	September 30, 1990	
	Overfunded plans	Underfunded plans
	($ in thousands)	
Actuarial present value of accumulated benefit obligations:		
Vested	$115,570	$143,693
Nonvested	9,620	5,197
Total accumulated benefit obligations	$125,190	$148,890
Projected benefit obligations	$244,510	$172,257
Plan net assets at fair value	260,647	140,752
Plan net assets (over) under projected benefit obligations	(16,137)	31,505
Unrecognized prior service costs	(1,172)	(1,127)
Unrecognized net (losses) gains	(2,159)	362
Unrecognized net transition asset (liability)	60,244	(26,843)
Additional minimum liability		17,974
Subtotal	40,776	21,871
Amounts allocated to affiliated companies	(9,825)	
Net accrued pension cost	$ 30,951	$ 21,871

	September 30, 1989	
	Overfunded plans	Underfunded plans
	($ in thousands)	
Actuarial present value of accumulated benefit obligations:		
Vested	$103,532	$144,080
Nonvested	6,602	8,214
Total accumulated benefit obligations	$110,134	$152,294
Projected benefit obligations	$195,105	$170,780
Plan net assets at fair value	247,697	129,855
Plan net assets (over) under projected benefit obligations	(52,592)	40,925
Unrecognized prior service costs	(1,826)	(430)
Unrecognized net gains (losses)	7,704	(7,607)
Unrecognized net transition asset (liability)	65,261	(29,091)
Subtotal	18,547	3,797
Amounts allocated to affiliated companies	(775)	
Net accrued pension cost	$ 17,772	$ 3,797

In addition to providing pension benefits, the Company currently provides certain health care and life insurance benefits for its retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company, providing that present corporate practices are continued. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid and totaled $6 million and $5 million in 1990 and 1989, respectively.

Contributions to the Company's separate defined contribution plans are made in accordance with matching programs based upon certain contributions by participating employees. The Company's contributions amounted to $26 million and $21 million in 1990 and in 1989, respectively.

NOTE 17 - ADDITIONAL PAID-IN CAPITAL:

During 1990 and 1989, the Company received capital contributions of $150 million and $200 million, respectively, from its parent.

NOTE 18 - FINANCIAL INSTRUMENTS:

Forward foreign exchange contracts:

At September 30, 1990, the Company had entered into forward foreign exchange contracts for the purchase and sale of certain foreign currencies, primarily Deutsche Marks, to hedge foreign currency-denominated receivables and payables. The contracts call for total purchases of the equivalent of $392 million, maturing during fiscal 1991, and total sales of the equivalent of $38 million, maturing through fiscal 1992.

Guarantees and letters of credit:

The Company has provided certain guarantees and letters of credit for various affiliated companies in North and South America of $244 million at September 30, 1990. The Company does not require collateral or other security to support the guarantees and letters of credit.

Interest rate swap agreements:

The Company has entered into certain interest rate swap agreements primarily to effectively manage interest rate exposure on its floating rate short-term debt. At September 30, 1990 the Company had 10 outstanding interest rate swap agreements with commercial banks having a total notional principal of $298 million. The agreements provide for the Company to receive variable interest rates in return for fixed interest rates ranging from 8.5% to 10.0% on the notional principal. The agreements mature primarily over the next two years.

While the Company is exposed to credit risk in the event of nonperformance by the counterparties to these financial instruments, the Company does not anticipate any such nonperformance.

NOTE 19 - COMMITMENTS:

The Company has entered into various leases for sales, service, office and manufacturing facilities and equipment. Some leases require, in addition to rental payments, the payment of property taxes, assessments and maintenance costs. Net rental expense, under all operating leases for the years ended September 30, 1990 and 1989, was $72 million and $93 million, respectively. Total minimum rental payments under noncancellable leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 1990 are $279 million. Total minimum rental payments in each of the following five fiscal years are as follows:

	($ in thousands)
1991	$36,805
1992	36,060
1993	28,331
1994	22,199
1995	20,990

NOTE 20 - CONTINGENCIES:

Tel-Plus Communications, Inc.:

During fiscal 1987, the Company completed its 100% purchase of Tel-Plus Communications, Inc. and two affiliated companies (collectively, "Tel-Plus") pursuant to the 1986 Stock Purchase Agreement (the "Agreement") between the Company and TPI Enterprises, Inc. ("TPI"). The Agreement provided for a cash purchase price of $110 million, subject to adjustment, and the satisfaction by the Company of certain Tel-Plus indebtedness to TPI. The first installment of $75 million was paid on March 24, 1987 (the "Closing Date"). The second installment of $35 million was withheld as security for loss or damage from breach of representations, warranties, covenants and agreement. In addition, the Company withheld payment of $21 million with respect to certain Tel-Plus indebtedness to TPI. TPI disputed the nature and amount of the withholdings. On June 3, 1987, the Company filed suit against TPI claiming, among other things, fraud, breach of contract and breach of fiduciary duty by TPI in the management of Tel-Plus and in connection with the sale of Tel-Plus to the Company. The Company has asked for damages in an unspecified amount. By order dated December 30, 1987, the Court stayed the litigation pending arbitration pursuant to a dispute resolution procedure under the terms of the Agreement.

In October 1988, TPI provided the Company with certain financial statements, the receipt of which was a condition precedent to a dispute resolution procedure contained in the Agreement. Pursuant to this dispute resolution procedure, the Company has disputed the valuation of Tel-Plus at both December 31, 1986 and the Closing Date and the nature and amount of certain Tel-Plus intercompany indebtedness to TPI. In June 1989, TPI moved to lift the stay allegedly for the limited purpose of permitting TPI to serve and file an answer to the Company's claims and various counterclaims. TPI's proposed counterclaims included allegations that the Company violated both Section 10(b) of the Securities Exchange Act of 1934 and the Racketeer Influenced and Corrupt Organizations Act, committed common law fraud, breached various contracts and tortuously interfered with TPI's ability to conduct its business. TPI's proposed counterclaims sought a minimum of $600 million in compensatory damages and $250 million in punitive damages. However, the Court denied TPI's motion to lift the stay after the parties agreed to toll the statute of limitation as to any claims either party might assert against the other in the action.

After the dispute resolution process has been completed, the litigation will be continued to resolve those matters which are not subject to the dispute resolution process. The Company has recorded as purchase cost only the amounts paid to TPI to date and continues to withhold both the $35 million and $21 million amounts pending the outcome of the dispute resolution procedure and the litigation. Management intends to pursue these matters vigorously and believes that the outcome of such matters will be favorable to the Company.

Other:

At September 30, 1990, there were various other pending suits, including environmental matters, incident to the Company's businesses. Management believes any liabilities resulting from such suits will not materially affect the consolidated financial position of the Company.