

SPORTING GOODS PROPERTIES, INC.  
BALANCE SHEET  
AS OF DECEMBER 31, 1994

Dollars in Thousands

Cash (incl time deposits) (Note 2)	83	
Accounts and Notes Receivable (Note 3)	96,450	
Miscellaneous Accounts Receivable	406	
Prepaid Expenses	52	
Total Current Assets	<u>          </u>	96,991
Plants and Properties (Note 1 & 4)	3,445	
Less: Accum. Deprec., Depletion, and Amort.	(1,964)	
Total Plants and Properties	<u>          </u>	1,481
Other Noncurrent Assets (Note 5)	11,077	
Total Other Assets	<u>          </u>	11,077
<b>TOTAL ASSETS</b>		<u><u>109,549</u></u>

The accompanying notes are an integral part of these financial statements.



SPORTING GOODS PROPERTIES, INC.  
BALANCE SHEET  
AS OF DECEMBER 31, 1994

	Dollars in Thousands
Accounts Payable	2
Income Taxes Payable	2,633
Deferred Current Incomes Taxes (Note 1)	(1,997)
Other Accrued Liabilities	175
<b>Total Current Liabilities</b>	<u>813</u>
Deferred Noncurrent Income Taxes (Note 1 )	
Federal	(15,459)
State	76
<b>Total Deferred Noncurrent Income Taxes</b>	<u>(15,383)</u>
Other Noncurrent Liabilities (Note 6)	43,650
<b>TOTAL LIABILITIES</b>	<u>29,080</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS EQUITY</b>	<u><u>109,549</u></u>

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SPORTING GOODS PROPERTIES, INC.  
STATEMENT OF STOCKHOLDER'S EQUITY  
AS OF DECEMBER 31, 1994

Dollars in Thousands

Common Stock - Issued and Outstanding at Beginning of Year	1	
- Additions for Period		
Balance End of Year	1	
Additional Paid-In Capital - Balance at Beginning of Year	22,762	
- Additions for Period	88,000	
Balance End of Year	110,762	
Reinvested Earnings - Balance at Beginning of Year	(9,968)	
Net Income	(20,326)	
Balance End of Year	(30,294)	
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>80,469</b>	

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SPORTING GOODS PROPERTIES, INC.  
 INCOME STATEMENT  
 FOR THE PERIOD ENDING DECEMBER 31, 1994

Dollars in Thousands

Interest Income	3,983	
Rental Income	525	
Miscellaneous Income	3,389	
<b>Total Income</b>	<b>7,897</b>	
Period Expense	33,030	
Selling Expense	4,445	
Administrative Expense	406	
Miscellaneous Expense	1,271	
<b>Total Expenses</b>	<b>39,152</b>	
<b>Pretax Earnings</b>	<b>(31,255)</b>	
Provision for Income Taxes - Federal (Note 1)	(11,547)	
- State	618	
<b>Total Provision for Income Taxes</b>	<b>(10,929)</b>	
<b>NET INCOME</b>	<b>(20,326)</b>	

The accompanying notes are an integral part of these financial statements.

A.L. 0013628

**Sporting Goods Properties, Inc.**  
**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

Sporting Goods Properties, Inc. (SGPI) observes the generally accepted accounting principles described below. These, together with the other notes that follow, are an integral part of financial statements. These statements are unaudited but reflect all adjustments that are necessary to provide a fair statement of the financial position.

**Property, Plant and Equipment**

Property, plant and equipment (PP&E) is carried at cost and is generally classified in depreciated groups and depreciated by accelerated methods that produce results similar to the sum-of-the-year' digits method. Depreciation rates range from 2 percent to 10 percent; in some instances appropriately higher or lower rates are used. Generally, for PP&E acquired prior to 1991, the gross carrying value of assets surrendered, retired, sold or otherwise disposed of is charged to accumulated depreciation and any salvage or other recovery therefrom is credited to accumulated depreciation. For disposals of PP&E acquired after 1993, the gross carrying value and related accumulated depreciation are removed from the accounts and included in determining gain or loss on such disposals.

Maintenance and repairs are charged to operations; replacements and betterments are capitalized.

**Environmental Liabilities and Expenditures**

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

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

## **Notes to the Financial Statements**

### **Income Taxes**

The provision for income taxes for 1994 has been determined under SFAS No. 109, which requires use of the asset and liability approach to accounting for income taxes. Under that approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

### **2. Cash**

SGPI maintains a credit line with DuPont up to \$20,000,000. The agreement terminates on December 1, 1996.

### **3. Accounts and Notes Receivable**

Accounts and Notes Receivable represent a master note due from the parent company and accrued interest from the prior month. Such note is payable on demand by SGPI and accrues interest equal to a weighted 365-day effective interest rate for commercial paper adjusted monthly. The current rate at December 31 was 5.11%.

### **4. Plants and Properties**

Capital expenditures totaled \$59,744 for 1994.

### **5. Other Noncurrent Assets**

Other noncurrent assets represents the accrued value of future environmental expenses to be reimbursed to SGPI by a third party. (Note: Information subject to a confidentiality order.)

### **6. Other Noncurrent Liabilities**

In 1994, SGPI accrued \$45,762,491 for environmental remediation activities. Estimated pre-tax environmental expenditures totalled \$2,948,635 in 1994 of which \$2,534,831 were charged against the accrual and \$413,804 were reimbursed by third parties. The balance at December 31 was \$43,227,660.