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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K 405

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 1993

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

PLAINTIFF'S EXHIBIT TPI-69

Commission file number 1-10485

TYLER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-2303920 (I.R.S. employer identification no.)
3200 San Jacinto Tower 2121 San Jacinto Street Dallas, Texas (Address of principal executive offices)	75201 (Zip code)

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PROCESSED BY
MAR 1 4 1994
DISCLOSURE INC.

Registrant's telephone number, including area code: (214) 754-7800

PLAINTIFF'S EXHIBIT TPI-538

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

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 ✓ No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ✓ No___

The aggregate market value of the voting stock held by non-affiliates of the registrant on February 22, 1994, was $99,633,038.

The number of shares of common stock of the registrant outstanding on February 22, 1994, was 20,094,980.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Parts I and II of this Annual Report is incorporated by reference from the registrant's 1993 Annual Report to Shareholders, and information required by Part III of the Annual Report is incorporated by reference from the registrant's definitive proxy statement for its annual meeting of shareholders to be held on April 28, 1994.

PART I

Item 1. Business.

General. Tyler Corporation ("Tyler" or the "Company") provides products and services to customers through two operating subsidiaries: Tyler Pipe Industries, Inc. ("Tyler Pipe"), which manufactures and distributes cast iron pipe and fittings; and Forest City Auto Parts Company ("Forest City"), which specializes in mechanical automotive aftermarket parts for do-it-yourself customers.

Pursuant to a stock purchase agreement, on January 7, 1994 the Company completed the purchase of Institutional Financing Services, Inc. ("IFS"), a direct marketer of products for fund-raising programs. IFS was acquired for approximately $50 million and the assumption of seasonal working capital debt. Additional payments to the former shareholders are possible based on operating profit performance. IFS is located in Benicia, California and assists schools in fund-raising activities by arranging for students to sell company-supplied gift items to family and friends. Proceeds received by schools are used for designated educational, recreational and extracurricular projects. IFS will operate as a wholly owned subsidiary of Tyler. For the twelve months ended December 31, 1993, IFS's sales were $68.2 million, and operating profit, which is before amortization and interest expense, was $6.4 million.

Industry Segments. For financial information about industry segments of Tyler, reference is made to the "Industry Segments" note to the consolidated financial statements on page 35 of Tyler's 1993 Annual Report to Shareholders which note is incorporated herein. This information should be read in conjunction with the consolidated financial statements and accompanying notes.

Principal Products and Services.

Pipe and Fittings. Tyler Pipe manufactures and distributes cast iron pipe and fittings used primarily in drain, waste and vent ("DWV") applications in commercial, industrial and residential construction and cast and ductile iron waterworks and sewage fittings for use by municipalities. Tyler Pipe, which was founded in 1935 and acquired by Tyler in 1968, sells substantially all of its DWV products as finished products to wholesale plumbing and supply houses and sells water and sewage fittings through specialty wholesalers primarily to waterworks contractors. The pipe and fittings business is seasonal to the extent that the construction industry is affected by weather.

Tyler Pipe manufactures a complete line of cast iron DWV pipe and fittings in diameters from 1-1/2 inches to 15 inches. Tyler Pipe also manufactures fittings for use in water and sewage treatment systems in both gray and ductile iron in diameters from 2 inches to 30 inches. Ductile iron is specified in certain applications because of its greater strength. The company also manufactures a complete line of couplings and gaskets for joining pipe and fittings, self-contained plumbing walls for use in modular construction and roof, floor and specialty drains under the "Wade" name.

Tyler Pipe has developed a number of products and manufacturing processes including soil pipe in ten-foot lengths, the Ty-Seal gasket (a neoprene compression gasket that replaced the lead and oakum joints used to connect cast iron pipe and fittings) and completely self-contained plumbing walls used in modular construction. Tyler Pipe also was the first domestic manufacturer to use the unlined, water-cooled cupola; to employ centrifugal casting machines utilizing one-piece metal molds for casting soil pipe; and to produce cast iron soil pipe fittings in permanent metal molds.

Tyler Pipe has its headquarters and major foundry and manufacturing facility in Tyler, Texas. A second foundry is in Macungie, Pennsylvania. Tyler Pipe also has a plant in Marshfield, Missouri, where it manufactures stainless steel clamps and neoprene gaskets used to join soil pipe and fittings. Substantially all sales are handled directly through offices maintained at the Tyler, Texas, plant. Tyler Pipe sells its products both through its sales representatives and through independent manufacturers' representatives throughout the United States and Canada. Transportation costs, pricing, product quality and performance, and the ability to service customers promptly are material factors affecting sales of Tyler Pipe's products, as are the general level and mix of spending in the construction industry.

Tyler Pipe obtains iron, the basic raw material used in its products, by melting and refining iron and steel scrap to the required specifications. Most of the scrap metal is purchased directly from scrap dealers in areas where Tyler Pipe's trucks make deliveries and is returned to the plants by its trucks as backhaul. Other basic materials used include coke, limestone, fluorspar, resin, bentonite, silicon, sand and core oils, all of which have been generally available from multiple sources. Tyler Pipe experienced no problems in obtaining these materials during 1993. No shortages of basic raw materials appear imminent or likely. Tyler Pipe has no material contractual arrangements with any of its suppliers of raw materials.

In the sale and distribution of DWV pipe and fittings, Tyler Pipe competes with Charlotte Pipe & Foundry Co., Anaheim Foundry Co., American Brass and Iron Foundry and several smaller companies whose sales are generally concentrated close to their plants in various regions of the United States. In water and sewage fittings, Tyler Pipe competes with McWane Inc.; United States Pipe and Foundry Company, a subsidiary of Walter Industries, Inc.; American Cast Iron Pipe Company; Griffin Pipe Products Co., a division of Amsted Industries, Incorp.; Sigma Corp.; and others. In addition, pipe and fittings products of Tyler Pipe compete with those made of other materials including vitrified clay, plastic, asbestos cement, steel, fiber and copper. Tyler Pipe is the largest manufacturer of cast iron soil pipe and fittings and water and sewage fittings sold in the United States market.

Automotive Aftermarket Parts. Forest City, headquartered in Cleveland, Ohio, is a retailer of automotive parts and supplies. The company specializes in selling mechanical and electrical hard parts, such as rack-and-pinion steering and alternators to do-it-yourself customers. Forest City also stocks a wide variety of maintenance items, fluids and accessories. Known for extensive inventories, Forest City's stores use the slogan, "Stop looking! The odds are 100 to 1 we have it."

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Each Forest City location maintains inventories which average 15,000 parts for both domestic and foreign cars and light trucks. Company stores carry deeper inventories than most competitors and stock items that best suit the vehicle mix in their area. Major Forest City suppliers include Allied-Signal Inc., Kem Manufacturing Company and TRW Inc. Inventories carried by Forest City are generally available from multiple sources.

Quality customer service provided by knowledgeable store personnel is fundamental to the company's strategy. Through on-the-job and formal training programs, Forest City employees learn to assist customers in diagnosing specific problems and selecting the correct parts. The company's use of incentive compensation and opportunities for promotion allow Forest City to hire and motivate high-quality individuals.

Albert Bellowe founded the company in 1927 and served the Akron area with one store until 1961. Toward the end of this period, he was joined by his sons Stanley and Arnold who began working as teenagers and assumed management responsibilities after graduation from college. At the end of 1981, the company had 31 locations in operation. The company had expanded to 59 locations at the end of 1993. Open seven days a week, each location operates extended hours to provide maximum customer convenience.

Sources estimate that annual sales to the do-it-yourself portion of the auto parts aftermarket are approximately $12 billion. The market is highly fragmented with numerous local, regional and national competitors. Forest City primarily competes against other specialty retailers within the do-it-yourself segment. Additional competition comes from jobbers who sell principally to wholesale accounts and, to a lesser extent, from discount and general merchandise stores.

Employees. At December 31, 1993, the Company had 3,463 employees, of which 2,569 were employed by Tyler Pipe and 871 by Forest City. There were 1,855 Tyler Pipe employees covered by collective bargaining agreements.

Item 2. Properties.

Tyler occupies offices, production, research, storage, maintenance and retail facilities that contain approximately 2.2 million square feet of floor space. The principal plants, warehouses and offices, all of which are owned by Tyler or one of its subsidiaries, are described as follows:

Location	Approximate Sq. Feet of Floor Space	Primary Use
Swan (Tyler), Texas	1,529,000	Offices, foundries, shops and warehouses used in the pipe and fittings business
Macungie, Pennsylvania	178,000	Offices, foundry and warehouse used in the pipe and fittings business
Marshfield, Missouri	74,000	Offices, plant and warehouse used in the pipe and fittings business

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During 1993 Tyler Pipe used approximately 60-65% of capacity of its production facilities.

As of December 31, 1993, Forest City operated 59 stores in Illinois, New York, Ohio and Pennsylvania, most of which were leased, generally under leases of less than ten-years' duration. Store sizes range from 3,500 to 14,000 square feet with the typical store located in a free-standing building of approximately 6,000 square feet.

The machinery, equipment, buildings and facilities owned and leased by Tyler and its subsidiaries are generally well maintained and suitable for their operations.

Tyler Pipe's real property and other assets have been used for production and processing for many years. Such activities involve the use of metal and chemicals and necessitate the generation of waste materials, some of which are deemed hazardous substances or toxic chemicals under federal, state or local laws. As a result of such activities, contamination, spills or other releases may have occurred on the real property as well as off-site. See Item 3. Compliance with federal, state and local environmental regulations has not had a significant effect on the competitive position of Tyler Pipe.

Item 3. Legal Proceedings.

In December 1993 Tyler Pipe settled a lawsuit brought by Sigma Corp., in federal district court in Trenton, New Jersey. The settlement did not significantly affect the Company's consolidated financial position or results of operations.

In June 1992 Anaheim Foundry Co., a competitor of Tyler Pipe, sued Tyler Pipe in federal district court in the Central District of California alleging that Tyler Pipe violated various antitrust laws and making other common law claims of anticompetitive business practices. Anaheim seeks unspecified actual damages (which may be trebled under antitrust laws), punitive damages, attorneys' fees and injunctive relief. Tyler Pipe intends to defend this lawsuit vigorously. Based on discovery to date, the Company has no reason to expect the outcome of this lawsuit to have a material adverse effect on its consolidated financial position or results of operations.

In 1993 the Environmental Protection Agency ("EPA") and the Texas Natural Resource Conservation Commission ("TNRCC") issued Administrative Orders concluding the manufacturing facility in Tyler, Texas exceeded pollutant limitations in its stormwater discharge permits. Tyler Pipe will pay fines of $42,500 in 1994 to the TNRCC relating to stormwater violations which occurred in 1993. The company is working with both the EPA and the TNRCC to correct the situation permanently, but may be subject to additional penalties for failure to comply with the terms of the Orders before reaching a final solution. The Company believes that Tyler Pipe's obligations under the Orders will not have a material adverse effect on its consolidated financial position or results of operations.

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On January 18, 1988, the EPA notified Tyler Pipe that it is a potentially responsible party at the Novak Sanitary Landfill Superfund site in Lehigh County, Pennsylvania. A number of other potentially responsible parties have also been identified and notified by the EPA. While Tyler Pipe has participated in the costs of a remedial investigation and feasibility study, the company is contesting its inclusion on the list of potentially responsible parties based upon the nonhazardous character of the wastes it sent to the site. The Company expects that the outcome of this proceeding will not have a material adverse effect on its consolidated financial position or results of operations.

Other than ordinary course, routine litigation incidental to the business of the Company and except as described herein, there are no material legal proceedings pending to which the Company or its subsidiaries are parties or to which any of its properties are subject.

Item 4. <u>Submission of Matters to a Vote of Security Holders</u>.

Not applicable.

PART II

Item 5. <u>Market for Registrant's Common Equity and Related Stockholder Matters</u>.

Tyler's Common Stock is traded on the New York Stock Exchange. At December 31, 1993, Tyler had over 9,500 shareholders and approximately 4,100 shareholders of record. The following information is incorporated by reference from the indicated pages of Tyler's 1993 Annual Report to Shareholders: (a) stock trading price range and dividends paid per share in each quarter for the last two years - page 37 and (b) restrictions on retained earnings available for dividends - page 29.

Item 6. <u>Selected Financial Data</u>.

The information required by this item is incorporated by reference from Tyler's 1993 Annual Report to Shareholders, pages 22-23.

Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>.

The information required by this item is incorporated by reference from the following portions of Tyler's 1993 Annual Report to Shareholders: Management's Discussion and Analysis of Operations - pages 19-21 and Financial Comment - pages 13-18.

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Item 8. **Financial Statements and Supplementary Data.**

The following consolidated financial statements and unaudited supplementary quarterly financial data are incorporated by reference from the indicated pages in Tyler's 1993 Annual Report to Shareholders.

	Pages of Annual Report to Shareholders
Consolidated statements of operations for each of the three years in the period ended December 31, 1993	24
Consolidated balance sheets at December 31, 1993 and 1992	25
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 1993	26
Consolidated statements of cash flows for each of the three years in the period ended December 31, 1993	27
Notes to consolidated financial statements	28-35
Report of independent auditors	36
Unaudited supplementary quarterly financial data	37

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

Not applicable.

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PART III

The information required by Items 10 through 13 of Part III is incorporated by reference from the indicated pages of Tyler's definitive proxy statement for its annual meeting of shareholders to be held on April 20, 1994.

		Pages of Proxy Statement
Item 10.	Directors and Executive Officers of the Registrant.	3-4
Item 11.	Executive Compensation.	5-8
Item 12.	Security Ownership of Certain Beneficial Owners and Management.	1-2
Item 13.	Certain Relationships and Related Transactions.	9

PART IV

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

(a) The following documents are filed as a part of this report:

1. Consolidated financial statements (see Item 8).
2. Consolidated financial statement schedules.

Consolidated financial statement schedules for each of the three years in the period ended December 31, 1993:

		Page Reference
V	Property, plant and equipment	S-1/S-3
VI	Allowance for depreciation of property, plant and equipment	S-4/S-6
VIII	Allowance for losses	S-7
X	Supplementary income statement information	S-8
	Report of independent auditors	S-9

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the consolidated financial statements, including the notes thereto.

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3. Exhibits.

3.1 Certificate of Incorporation of Tyler Three, as amended through May 14, 1990, and Certificate of Designation of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to the Company's Form 10-Q for the quarter ended June 30, 1990, and incorporated herein).

3.2 Amended and Restated By-Laws of Tyler Three as amended through March 31, 1990 (filed as Exhibit 3.2 to the Company's registration statement no. 33-33505 and incorporated herein).

4.1 Credit Agreement of $110,000,000 among Tyler Corporation and Societe Generale, Southwest; NationsBank of Texas, N.A.; and Continental Bank, N.A. dated February 1, 1994.

4.2 Rights Agreement, dated as of March 14, 1993, by and between Tyler Corporation and The First National Bank of Boston, as Rights Agent, which includes the form of Rights Certificate as Exhibit B thereto (filed as Exhibit 4 to the Company's Form 8-K, dated January 29, 1993, and incorporated herein).

4.3 Specimen of Common Stock Certificate (filed as Exhibit 4.1 to the Company's registration statement no. 33-33505 and incorporated herein).

10.1 Form of Indemnification Agreement for directors and officers (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1992, and incorporated herein).

* 10.2 Stock Option Plan (including forms of option agreements)(filed as Exhibit 10.2 to the Company's registration statement no. 33-33505 and incorporated herein).

* 10.3 Salary Continuation Agreement (filed as Exhibit 10.3 to the Company's registration statement no. 33-33505 and incorporated herein).

* 10.4 Management Security Agreement (filed as Exhibit 10.4 to the Company's registration statement no. 33-33505 and incorporated herein).

* 10.5 Split-dollar life insurance agreement with Joseph F. McKinney (filed as Exhibit 10.5 to the Company's registration statement no. 33-33505 and incorporated herein).

* 10.6 Supplemental Retirement Plan (filed as Exhibit 10.6 to the Company's registration statement no. 33-33505 and incorporated herein).

10.7 Indemnification Agreement, dated December 20, 1989 (filed as Exhibit 2.3 to the Company's registration statement no. 33-33505 and incorporated herein).

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10.8 Stock Purchase Agreement among Tyler Corporation and the Shareholders of Forest City Auto Parts Company, South Main Auto Parts, Inc., and General Distributors, Inc., dated December 12, 1990 (filed as Exhibit 2.1 to the Company's Form 8-K, dated March 5, 1991, and as amended under cover of Form 8 filed March 12, 1991, and incorporated herein).

10.9 Amendment dated December 31, 1991, to the Stock Purchase Agreement, dated December 12, 1990, among Tyler Corporation and the Shareholders of Forest City Auto Parts Company (filed as Exhibit 10.16 to the Company's Form 10-K for the year ended December 31, 1991, and incorporated herein).

* 10.10 Employment Agreement between the Company and Stanley Bellowe, dated December 12, 1990 (filed as Exhibit 28.1 to the Company's Form 8-K, dated March 5, 1991, and incorporated herein).

* 10.11 Employment Agreement between the Company and Arnold Bellowe, dated December 12, 1990 (filed as Exhibit 28.2 to the Company's Form 8-K, dated March 5, 1991, and incorporated herein).

* 10.12 Employment Agreement between the Company and James E. Russell, dated January 1, 1992 (filed as Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 1991, and incorporated herein).

* 10.13 Employment, Confidentiality and Noncompetition Agreement dated September 1, 1992, between Tyler Pipe Industries, Inc. and Richard C. Barnett (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 31, 1992, and incorporated herein).

10.14 Agreement between Tyler Pipe Industries, Inc., Tyler, Texas and the United Rubber, Cork, Linoleum and Plastic Workers of America, Local No. 1157, dated October 11, 1993.

10.15 Stock Purchase Agreement among Tyler Corporation, Institutional Financing Services, Inc. and the Shareholders of Institutional Financing Services, Inc. dated December 16, 1993 (filed as Exhibit 2.1 to the Company's Form 8-K, dated January 20, 1994, and incorporated herein).

* 10.16 Employment and Noncompetition Agreement dated January 7, 1994, between Institutional Financing Services, Inc. and E. Peter Raisbeck (filed as Exhibit 99.1 to the Company's Form 8-K, dated January 20, 1994, and incorporated herein).

* 10.17 Amended and Restated Stock Option Agreement, dated March 18, 1993, between Institutional Financing Services, Inc., and Peter Raisbeck.

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* 10.18 First Amendment to Amended and Restated Stock Option Agreement, dated January 7, 1994, among Tyler Corporation, Institutional Financing Services, Inc. and E. Peter Raisbeck (filed as Exhibit 99.2 to the Company's Form 8-K, dated January 20, 1994, and incorporated herein).

12 Statement regarding computation of ratios.

13 1993 Annual Report to Shareholders. With the exception of the information incorporated by reference into Items 1, 5, 6, 7 and 8 of this Form 10-K, the 1993 Annual Report to Shareholders is not to be deemed filed as part of this Form 10-K.

22 Subsidiaries of Tyler.

23 Consent of Ernst & Young (see page 14).

Tyler will furnish copies of these exhibits to shareholders upon written request and payment of $0.15 per page.

(b) Reports on Form 8-K.

Tyler did not file any Current Reports on Form 8-K during the fourth quarter of 1993.

* Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

TYLER CORPORATION

Date:

By:
J. F. McKinney
Chief Executive Officer

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 Registrant and in the capacities and on the dates indicated.

Date:

By:
J. F. McKinney
Chairman of the Board,
President and Chief Executive
Officer (principal executive officer)

Date:

By: RW Margerison
Richard W. Margerison
Executive Vice President
Director
(a principal executive officer)

Date:

By: James E Russell
James E. Russell
Vice President
Director

Date:

By: Linda K. Hill
Linda K. Hill
Vice President and Controller
(a principal financial officer and
principal accounting officer)

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Date:

By: W Michael Kipphut

W. Michael Kipphut
Vice President and Treasurer
(a principal financial officer)

Date:

By: ____________________

Richard C. Barnett
Director

Date:

By: ____________________

Stanley D. Bellows
Director

Date:

By: ____________________

Perry J. Lewis
Director

Date:

By: ____________________

Ernest H. Lorch
Director

Date:

By: ____________________

F. R. Meyer
Director

Date:

By: Neil J O'Brien

Neil J. O'Brien
Director

Date:

By: ____________________

C. A. Rundell, Jr.
Director

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Date: By: ______________________
W. Michael Kipphut
Vice President and Treasurer
(a principal financial officer)

Date: By: ______________________
Richard C. Barnett
Director

Date: By: ______________________
Stanley D. Bellowe
Director

Date: By: ______________________
Perry J. Lewis
Director

Date: By: ______________________
Ernest H. Lorch
Director

Date: By: ______________________
F. R. Meyer
Director

Date: By: ______________________
Neil J. O'Brien
Director

Date: By: ______________________
C. A. Rundell, Jr.
Director

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Date:	By: ______________________ W. Michael Kipphut Vice President and Treasurer (a principal financial officer)
Date:	By: ______________________ Richard C. Barnett Director
Date: 2-28-94	By: Stanley D. Bellowe Stanley D. Bellowe Director
Date:	By: ______________________ Perry J. Lewis Director
Date:	By: ______________________ Ernest H. Lorch Director
Date:	By: ______________________ F. R. Meyer Director
Date:	By: ______________________ Neil J. O'Brien Director
Date:	By: ______________________ C. A. Rundell, Jr. Director

Date: By: ______________________
W. Michael Kipphut
Vice President and Treasurer
(a principal financial officer)

Date: By: ______________________
Richard C. Barnett
Director

Date: By: ______________________
Stanley D. Bellows
Director

Date: By: ______________________
Perry J. Lewis
Director

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Ernest H. Lorch
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Neil J. O'Brien
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C. A. Rundell, Jr.
Director

Date: By: ______________________
W. Michael Kipphut
Vice President and Treasurer
(a principal financial officer)

Date: By: ______________________
Richard C. Barnett
Director

Date: By: ______________________
Stanley D. Bellowe
Director

Date: By: ______________________
Perry J. Lewis
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C. A. Rundell, Jr.
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W. Michael Kipphut
Vice President and Treasurer
(a principal financial officer)

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Neil J. O'Brien
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C. A. Rundell, Jr.
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W. Michael Kipphut
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(a principal financial officer)

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Date: By: ______________________
Ernest H. Lorch
Director

Date: By: ______________________
F. R. Meyer
Director

Date: By: ______________________
Neil J. O'Brien
Director

Date: By: CARundell Jr.
C. A. Rundell, Jr.
Director

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CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Tyler Corporation of our report dated January 28, 1994, included in the 1993 Annual Report to Shareholders of Tyler Corporation.

We consent to the incorporation by reference in (i) the Registration Statement (Form S-3 No. 33-55602) of Tyler Corporation and the related Prospectus and (ii) the Registration Statements (Form S-8 No. 33-34544 and Form S-8 No. 33-41324) pertaining to the Tyler Corporation Stock Option Plan and the Tyler Corporation Savings and Investment Plan, respectively, of our reports dated January 28, 1994, with respect to the consolidated financial statements incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 1993 and the financial statement schedules of Tyler Corporation included in the Annual Report (Form 10-K) for the year ended December 31, 1993.

Ernst & Young

ERNST & YOUNG

Dallas, Texas
March 10, 1994

TYLER CORPORATION

SCHEDULE V - PROPERTY, PLANT & EQUIPMENT

Year Ended December 31, 1993

Classification	Depreciation lives (in years)	Balance at beginning of year	Additions at cost	Retirements or sales	Balance at at end of year
Land	--	$ 2,653,000	$ 42,000	$ 123,000	$ 2,572,000
Buildings and leasehold improvements	7 to 30	29,004,000	1,007,000	1,007,000	29,004,000
Machinery and equipment	3 to 15	115,419,000	7,997,000	7,356,000	116,060,000
Transportation equipment	3 to 7	12,467,000	1,847,000	1,904,000	12,410,000
		$159,543,000	$10,893,000	$10,390,000	$160,046,000

TYLER CORPORATION

SCHEDULE V - PROPERTY, PLANT & EQUIPMENT

Year Ended December 31, 1992

Classification	Depreciation lives (in years)	Balance at beginning of year	Additions at cost	Retirements or sales	Balance at at end of year
Land	—	$ 1,894,000	$ 766,000	$ 7,000	$ 2,653,000
Buildings and leasehold improvements	7 to 30	28,256,000	1,138,000	390,000	29,004,000
Machinery and equipment	3 to 15	111,762,000	6,130,000	2,473,000	115,419,000
Transportation equipment	3 to 7	13,073,000	725,000	1,331,000	12,467,000
		$154,985,000	$ 8,759,000	$ 4,201,000	$159,543,000

TYLER CORPORATION

SCHEDULE V - PROPERTY, PLANT & EQUIPMENT

Year Ended December 31, 1991

Classification	Depreciation lives (in years)	Balance at beginning of year	Additions at cost	Retirements or sales	Other changes	Balance at at end of year
Land	—	$ 1,387,000	$ 33,000	$ —	$ 474,000 (A)	$ 1,894,000
Buildings and leasehold improvements	7 to 30	25,574,000	1,812,000	390,000	1,260,000 (A)	28,256,000
Machinery and equipment	5 to 10	109,790,000	2,791,000	876,000	57,000 (A)	111,762,000
Transportation equipment	3 to 7	12,884,000	503,000	575,000	261,000 (A)	13,073,000
		$149,635,000	$5,139,000	$1,841,000	$2,052,000	$154,985,000

(A) Purchase of subsidiary

TYLER CORPORATION

SCHEDULE VI - ALLOWANCE FOR DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT

Year Ended December 31, 1993

Classification	Balance at beginning of year	Additions charged to cost and expense	Retirements, renewals and replacements	Balance at at end of year
Buildings and leasehold improvements	$ 16,066,000	$ 1,320,000	$ 879,000	$ 16,507,000
Machinery and equipment	88,604,000	6,644,000	6,904,000	88,344,000
Transportation equipment	9,503,000	819,000	1,222,000	9,100,000
	$114,173,000	$ 8,783,000	$ 9,005,000	$113,951,000

TYLER CORPORATION

SCHEDULE VI - ALLOWANCE FOR DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT

Year Ended December 31, 1992

Classification	Balance at beginning of year	Additions charged to cost and expense	Retirements, renewals and replacements	Balance at at end of year
Buildings and leasehold improvements	$ 15,137,000	$ 1,244,000	$ 315,000	$ 16,066,000
Machinery and equipment	82,824,000	6,987,000	1,207,000	88,604,000
Transportation equipment	9,657,000	941,000	1,095,000	9,503,000
	$107,618,000	$ 9,172,000	$ 2,617,000	$114,173,000

TYLER CORPORATION

SCHEDULE VI - ALLOWANCE FOR DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT

Year Ended December 31, 1991

Classification	Balance at beginning of year	Additions charged to cost and expense	Retirements, renewals and replacements	Balance at at end of year
Buildings and leasehold improvements	$ 13,940,000	$ 1,207,000	$ 10,000	$ 15,137,000
Machinery and equipment	76,425,000	7,110,000	711,000	82,824,000
Transportation equipment	9,181,000	959,000	483,000	9,657,000
	$ 99,546,000	$ 9,276,000	$ 1,204,000	$107,618,000

TYLER CORPORATION

SCHEDULE VIII - ALLOWANCE FOR LOSSES

Years Ended December 31, 1991, 1992 and 1993

Year ended December 31, 1991:	
Balance at beginning of year	$ 433,000
Additions charged to costs and expenses	129,000
Deductions for accounts charged off	(402,000)
Balance at end of year	$ 160,000
Year ended December 31, 1992:	
Balance at beginning of year	$ 160,000
Additions charged to costs and expenses	54,000
Deductions for accounts charged off	(60,000)
Balance at end of year	$ 154,000
Year ended December 31, 1993:	
Balance at beginning of year	$ 154,000
Additions charged to costs and expenses	151,000
Deductions for accounts charged off	(105,000)
Balance at end of year	$ 200,000

TYLER CORPORATION

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1992 and 1993

Item	1991	1992	1993
Maintenance and repairs	$22,882,000	$25,322,000	$23,867,000

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REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements of Tyler Corporation as of December 31, 1993 and 1992, and for each of the three years in the period ended December 31, 1993, and have issued our report thereon dated January 28, 1994. Our audits also included the financial statement schedules listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Ernst & Young

ERNST & YOUNG

Dallas, Texas
January 28, 1994

EXHIBIT INDEX

Exhibit Number	Exhibit	Sequentially Numbered Page
4.1	Credit Agreement of $110,000,000 among Tyler Corporation and Societe Generale, Southwest; NationsBank of Texas, N.A.; and Continental Bank, N.A. dated February 1, 1994.	31
10.14	Agreement between Tyler Pipe Industries, Inc., Tyler, Texas and the United Rubber, Cork, Linoleum and Plastic Workers of America, Local No. 1157, dated October 11, 1993.	164
* 10.17	Amended and Restated Stock Option Agreement, dated March 18, 1993, between Institutional Financing Services, Inc., and Peter Raisbeck.	245
12	Statement regarding computation of ratios.	254
13	1993 Annual Report to Shareholders. With the exception of the information incorporated by reference into Items 1, 5, 6, 7 and 8 of this Form 10-K, the 1993 Annual Report to Shareholders is not to be deemed filed as part of this Form 10-K.	256
22	Subsidiaries of Tyler Corporation.	301

* Management contract or compensatory plan or arrangement

TEN-YEAR FINANCIAL SUMMARY TABLE

(000 omitted from all dollar amounts, except per share data, and from average shares)

	1993 vs 1992	1993	1992	1991[3]
Net sales				
Forest City	+ 8%	$ 84,464	$ 78,453	$ 62,622
Tyler Pipe	- 5	197,939	207,753	203,752
Total	- 1	$ 282,403	$ 286,206	$ 266,374
Operating profits				
Forest City	+ 16	$ 8,808	$ 7,617	$ 6,523
Tyler Pipe	- 58	3,136	7,391	4,041
Total	- 20	11,944	15,008	10,564
Other expenses				
Subsidiaries nonoperating expenses	+ 3	2,501	2,432	1,697
Interest expense (income), net	- 20	487	608	769
Corporate expense	+ 3	4,728	4,601	4,174
Savings and investment and related expenses	+ 4	1,308	1,262	1,300
Restructuring charge		—	—	—
Income (loss) from continuing operations before income tax (benefit)	- 52	2,920	6,105	2,624
Income tax (benefit)	- 45	1,582	2,870	1,377
Income (loss) from continuing operations	- 59	1,338	3,235	1,247
Income from discontinued operations		—	—	—
Income before extraordinary items and cumulative effect of accounting changes	- 59	$ 1,338 [1]	$ 3,235	$ 1,247
Tax rate — continuing operations		54.2%	47.0%	52.5%
Earnings (loss) per common share from continuing operations	- 56	$ .07 [1]	$ .16	$ .06
Net earnings (loss) per common share		$ (.11)	$ .16	$ .06
Average shares	- 1	20,556	20,779	20,706
Total assets		$ 173,923	$ 174,487	$ 171,333
Shareholders' equity	- 4	117,964	122,343	119,427
Debt associated with discontinued operations [2]		$ —	$ —	$ —
Debt/equity ratio		0/100	0/100	0/100
Capital expenditures (net)	+ 33	$ 9,508	$ 7,175	$ 4,502
Depreciation and amortization	- 3	10,634	11,005	10,374
Cash dividend per share		$ —	$ —	$ —
Stock trading price range		5 ¼-4 ¼	5 ⅞-2 ¾	3⅝-2½
Price/earnings ratio range		75-61 [1]	37-17	60-42
Book value per share	- 2	$ 5.81	$ 5.90	$ 5.76

(1) *Before cumulative effect of accounting changes resulting in a net charge of $3,601, or $.18 per share (see "Income Tax" and "Postretirement Benefits" in Notes to Consolidated Financial Statements)*

(2) *Debt associated with discontinued operations consists of borrowings under Tyler's revolving bank lines of credit, subordinated debt and other senior debt.*

(3) *Forest City is included in the Company's results since its purchase on February 20, 1991.*

(4) *In May 1990 shareholders received securities of ICI valued at $6.00 per equivalent Tyler share and a contingent interest in additional ICI shares in connection with the merger of a predecessor company and ICI ("Atlas Merger"). These shares were distributed in 1991 and had a value of $.63 per equivalent Tyler share at year-end 1991.*

(5) *After giving effect to the Atlas Merger in May 1990*

(6) *The loss from continuing operations in 1989 includes an after-tax restructuring charge of $1,452, or $.07 per share.*

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1990	1989	1988	1987	1986	1985	1984
$ —	$ —	$ —	$ —	$ —	$ —	$ —
217,642	189,375	179,234	188,166	189,143	196,909	209,389
$ 217,642	$ 189,375	$ 179,234	$ 188,166	$ 189,143	$ 196,909	$ 209,389
$ —	$ —	$ —	$ —	$ —	$ —	$ —
11,325	7,630	7,296	18,794	21,466	25,090	34,083
11,325	7,630	7,296	18,794	21,466	25,090	34,083
—	—	—	—	—	—	—
(449)	320	283	412	141	335	222
5,137	7,314	7,447	7,958	6,942	6,516	4,375
1,253	1,026	1,153	910	885	873	1,246
—	2,200	—	—	—	—	—
5,384	(3,230)	(1,587)	9,514	13,498	17,366	28,240
1,934	(941)	(317)	3,949	5,994	6,905	11,881
3,450	(2,289)[8]	(1,270)	5,565	7,504	10,461	16,359
123	3,727	22,258[9]	11,284	4,441	4,902	21,200[9]
$ 3,573	$ 1,438	$ 20,988[9]	$ 16,849[12]	$ 11,945	$ 15,363	$ 37,559[9]
35.9%	29.1%	20.0%	41.5%	44.4%	39.8%	42.1%
$ .17	$ (.11)[8]	$ (.07)	$ .32	$ .41	$ .56	$ .85
$ .17	$ .07	$ 1.11[9]	$ .96[12]	$ .66	$ .82	$ 1.95[9]
20,886	21,268	19,009	17,642	18,208	18,810	19,222
$ 157,043	$ 188,785	$ 277,132	$ 441,609	$ 410,087	$ 384,133	$ 401,023
117,627	117,328	51,562	179,001	181,989	200,135	197,991
$ —	$ 33,000	$ 188,666	$ 226,133	$ 191,740	$ 160,275	$ 174,970
0/100	22/78	79/21	56/44	52/48	46/54	48/52
$ 13,850	$ 8,086	$ 9,142	$ 8,090	$ 8,766	$ 13,838	$ 11,793
8,685	8,782	8,706	8,422	8,943	7,695	7,282
$ .02	$ .05	$ 10.235	$ .41	$ .40	$ .394	$ .35
9 1/8-2 3/4[10]	10 1/8-4 7/8[7]	18 1/8-5 1/2	15 3/4-9 1/4	17 3/4-11 1/4	17 3/8-12 5/8	15 1/2-11 1/2
54-16	145-70	23-7[10]	16-10[12]	27-17	22-15	11-8[10]
$ 5.72[8]	$ 5.63[8]	$ 2.40[11]	$ 10.34	$ 10.15	$ 10.89	$ 10.57

(7) *In August 1989 shareholders received securities of Akzo valued at $4.86 per equivalent Tyler share in connection with the merger of a predecessor company and Akzo ("Reliance Merger").*

(8) *After giving effect to the Reliance Merger in August 1989*

(9) *Includes gain of $6,334, or $.33 per share, on sale of electronic components distribution operation in 1988 and $9,359, or $.48 per share, on sale of trucking operations in 1984*

(10) *Excludes gain on sale of discontinued operations*

(11) *After the $10 per share special dividend paid in August 1988*

(12) *Before extraordinary charge from early extinguishment of the 12 7/8% subordinated notes of $4,831, or $.28 per share*

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CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31

	1993	1992	1991
Net sales	$282,403,000	$286,206,000	$266,374,000
Costs and expenses			
Cost of sales	221,024,000	223,826,000	215,499,000
Selling, general and administrative expenses	57,972,000	55,667,000	47,482,000
Interest expense, net	487,000	608,000	769,000
	279,483,000	280,101,000	263,750,000
Income before income tax	2,920,000	6,105,000	2,624,000
Income tax (benefit)			
Current	2,649,000	4,051,000	3,475,000
Deferred	(1,067,000)	(1,181,000)	(2,098,000)
	1,582,000	2,870,000	1,377,000
Income before cumulative effect of accounting changes	1,338,000	3,235,000	1,247,000
Cumulative effect of changes in accounting principles for:			
Income tax	2,092,000	—	—
Retiree health care and life insurance benefits, net of income tax benefit	(5,693,000)	—	—
Net income (loss)	$ (2,263,000)	$ 3,235,000	$ 1,247,000
Earnings (loss) per common share			
Earnings before cumulative effect of accounting changes	$ .07	$ .16	$ .06
Cumulative effect of changes in accounting principles for:			
Income tax	.10	—	—
Retiree health care and life insurance benefits, net of income tax benefit	(.28)	—	—
Net earnings (loss)	$ (.11)	$ .16	$ .06
Average shares	20,556,000	20,779,000	20,706,000

See accompanying notes.

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CONSOLIDATED BALANCE SHEETS

December 31

	1993	1992
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,001,000	$ 12,065,000
Accounts receivable (less allowance for losses of $200,000 in 1993 and $154,000 in 1992)	17,970,000	17,907,000
Inventories	32,684,000	38,361,000
Prepaid expense	1,388,000	1,491,000
Deferred tax benefit	5,352,000	4,678,000
Total current assets	75,395,000	74,502,000
Property, plant and equipment, at cost	160,046,000	159,543,000
Less allowance for depreciation	113,951,000	114,173,000
	46,095,000	45,370,000
Other assets		
Goodwill and other intangibles	47,139,000	48,270,000
Sundry	5,294,000	6,345,000
	52,433,000	54,615,000
	$173,923,000	$174,487,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 11,675,000	$ 12,914,000
Accrued customer discounts	4,055,000	4,815,000
Accrued insurance	4,780,000	4,821,000
Income tax	1,250,000	312,000
Other accrued liabilities	14,144,000	12,793,000
Total current liabilities	35,904,000	35,655,000
Deferred income tax	8,151,000	13,569,000
Other liabilities	11,904,000	2,920,000
Commitments and contingencies		
Shareholders' equity		
Common stock, $.01 par value, 50,000,000 shares authorized, 21,309,277 shares issued	213,000	213,000
Capital surplus	49,109,000	49,196,000
Retained earnings	72,921,000	75,184,000
	122,243,000	124,593,000
Less 1,011,046 treasury shares in 1993 and 588,324 treasury shares in 1992, at cost	4,279,000	2,250,000
Total shareholders' equity	117,964,000	122,343,000
	$173,923,000	$174,487,000

See accompanying notes.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 1993, 1992 and 1991

	Common Stock				Treasury Stock	
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount
Balance at December 31, 1990	21,309,277	$ 213,000	$49,310,000	$70,702,000	(747,653)	$(2,598,000)
Net sale of treasury shares to employee benefit plan	—	—	(34,000)	—	327,217	1,029,000
Purchase of treasury shares from benefit plans of former subsidiaries....................	—	—	—	—	(153,816)	(442,000)
Net income	—	—	—	1,247,000	—	—
Balance at December 31, 1991	21,309,277	213,000	49,276,000	71,949,000	(574,252)	(2,011,000)
Issuance of treasury shares upon exercise of stock options	—	—	(40,000)	—	15,223	64,000
Net sale of treasury shares to employee benefit plan	—	—	(54,000)	—	239,323	889,000
Purchase of treasury shares.......	—	—	—	—	(100,000)	(425,000)
Purchase of treasury shares from benefit plans of former subsidiaries	—	—	—	—	(168,618)	(767,000)
Federal income tax benefit from exercise of nonqualified stock options	—	—	14,000	—	—	—
Net income	—	—	—	3,235,000	—	—
Balance at December 31, 1992.......	21,309,277	213,000	49,196,000	75,184,000	(588,324)	(2,250,000)
Issuance of treasury shares upon exercise of stock options........	—	—	(98,000)	—	32,529	153,000
Net purchase of treasury shares from employee benefit plan	—	—	(19,000)	—	(163,680)	(752,000)
Purchase of treasury shares from benefit plans of former subsidiaries	—	—	—	—	(291,571)	(1,430,000)
Federal income tax benefit from exercise of nonqualified stock options	—	—	30,000	—	—	—
Net loss..........................	—	—	—	(2,263,000)	—	—
Balance at December 31, 1993	21,309,277	$ 213,000	$49,109,000	$72,921,000	(1,011,046)	$(4,279,000)

See accompanying notes.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	1993	1992	1991
Cash flows from operating activities			
Net income (loss)	$ (2,263,000)	$ 3,235,000	$ 1,247,000
Adjustments to reconcile net income (loss) to net cash provided by operations			
Depreciation and amortization	10,634,000	11,005,000	10,374,000
Cumulative effect of accounting changes	3,601,000	—	—
Provision for losses on accounts receivable	151,000	54,000	129,000
Deferred income tax benefit	(1,067,000)	(1,181,000)	(2,098,000)
(Increase) decrease in accounts receivable	(214,000)	232,000	1,676,000
(Increase) decrease in inventories	5,677,000	(3,515,000)	2,429,000
(Increase) decrease in prepaid expenses	103,000	(270,000)	504,000
Increase (decrease) in accounts payable	(1,239,000)	23,000	2,608,000
Increase in accrued liabilities	1,610,000	3,425,000	2,918,000
Increase (decrease) in income tax	938,000	(1,675,000)	684,000
Increase in other liabilities	358,000	286,000	1,174,000
Net cash provided by operating activities	18,289,000	11,619,000	21,645,000
Cash flows from investing activities			
Additions to property, plant and equipment	(10,893,000)	(8,739,000)	(5,139,000)
Cost of acquisition, net of cash acquired	(1,060,000)	(1,160,000)	(25,271,000)
Proceeds from disposal of property, plant and equipment	1,385,000	1,584,000	637,000
Other	331,000	(1,267,000)	548,000
Net cash used by investing activities	(10,237,000)	(9,582,000)	(29,225,000)
Cash flows from financing activities			
Issuance of common stock	85,000	38,000	—
Purchase of treasury shares	—	(425,000)	—
Net sale (purchase) of treasury shares to (from) employee benefit plan	(771,000)	835,000	995,000
Purchase of treasury shares from benefit plans of former subsidiaries	(1,430,000)	(767,000)	(442,000)
Net cash provided (used) by financing activities	(2,116,000)	(319,000)	553,000
Net increase (decrease) in cash and cash equivalents	5,936,000	1,798,000	(7,027,000)
Cash and cash equivalents at beginning of year	12,065,000	10,267,000	17,294,000
Cash and cash equivalents at end of year	$18,001,000	$12,065,000	$10,267,000

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Tyler Corporation (the "Company") and its subsidiaries, all of which are wholly owned.

Inventories are valued at the lower of cost or market. Costs of automotive aftermarket parts inventories are determined by the first-in, first-out ("FIFO") method while costs of pipe and fittings inventories are determined by the last-in, first-out ("LIFO") method.

Depreciation for financial statement purposes is provided principally by the straight-line method over the estimated useful lives of the various assets. For income tax purposes, accelerated depreciation is used with recognition of deferred income tax for the resulting temporary differences.

Goodwill and noncompetition agreements attributable to the automotive aftermarket parts business are being amortized over 40 years and 10 years, respectively. Beginning in the fourth quarter of 1991, goodwill attributable to the pipe and fittings business purchased prior to October 31, 1970, is also being amortized over 40 years. Accumulated amortization was $4,782,000 at December 31, 1993, and $2,931,000 at December 31, 1992.

A pension plan is in effect which provides income and death benefits for certain employees of the Company and the pipe and fittings business. The benefits are generally based on final average salary and years of service. The Company's policy is to fund net pension cost accrued. However, the Company will not contribute an amount less than the minimum funding requirements of the Employee Retirement Income Security Act of 1974 or more than the maximum tax deductible amount.

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. Excess cash during the year was invested at an average rate of approximately 3%. Interest paid in 1993, 1992 and 1991 was $838,000, $716,000 and $1,011,000, respectively.

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Acquisition

On February 20, 1991, the Company completed the purchase of Forest City Auto Parts Company, a privately held retailer of automotive parts and supplies. Forest City was acquired for approximately $26 million with additional payments of up to $6,600,000 through 1996 if certain profit objectives are achieved. The Company paid $660,000 of this amount in the first quarter of 1994 for 1993 performance, $660,000 in 1993 for 1992 performance and $660,000 in 1992 for 1991 performance.

The acquisition has been accounted for as a purchase, and the net assets and results of operations are included in the Company's Consolidated Financial Statements beginning February 20, 1991. The purchase price has been allocated to the assets and liabilities of Forest City based on their estimated respective fair values. The purchase price and expenses associated with the acquisition exceeded the fair value of Forest City's net assets by approximately $21,546,000, of which $13,946,000 has been assigned to goodwill and $7,600,000 to employment and noncompetition agreements.

Inventories

	1993	1992
Finished goods	$49,991,000	$53,790,000
Work in process	1,985,000	2,576,000
Raw materials and supplies	2,396,000	2,245,000
	53,972,000	58,611,000
Less allowance to state inventories at LIFO cost	21,288,000	20,250,000
	$32,684,000	$38,361,000

Current replacement cost approximates the amounts shown before the allowance to state these inventories at LIFO cost.

Reductions in LIFO inventories had the effect of increasing income before income tax in 1993, 1992 and 1991 by $4,389,000, $651,000 and $1,102,000, respectively.

Property, Plant and Equipment

	Depreciation Lives (in years)	1993	1992
Land		$ 2,572,000	$ 2,653,000
Buildings and leasehold improvements	7 to 30	29,004,000	29,004,000
Machinery and equipment	3 to 15	116,060,000	115,419,000
Transportation equipment	3 to 7	12,410,000	12,467,000
		$160,046,000	$159,543,000

Revolving Bank Lines of Credit

The Company has agreements with certain banks for revolving lines of credit totaling $45,000,000, none of which was outstanding at December 31, 1993. The Company has the option to fix the interest rate at 1/2 of 1% over the London Interbank Offered Rate ("LIBOR"), the certificate of deposit rate, or such other rate agreed to by the Company and any of its banks, or to allow it to fluctuate at the prime rate. Unless extended by the Company with the consent of the banks, the lines of credit are reduced at a rate of 5% per quarter. During 1993 borrowings under the lines of credit were at an average rate of approximately 3.5%.

The agreements limited retained earnings available for dividends to $39,880,000 at December 31, 1993.

The Company had outstanding letters of credit arising out of normal business operations aggregating approximately $18,977,000 at December 31, 1993.

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In January 1994 the Company entered into a new agreement with certain banks for revolving lines of credit totaling $60,000,000 and a term loan of $25,000,000. Under the new agreement, the Company has the ability to fix the interest rate in a manner similar to that described above. The term loan requires quarterly repayments through January 2000. The revolving lines of credit are outstanding through January 2, 1997.

Income Tax

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes ("FAS No. 109"), which requires the use of the liability method of accounting for deferred income tax. The cumulative effect of this change was to decrease the Company's recorded net deferred tax liability and to increase net income by $2,092,000. As permitted under FAS No. 109, prior-year financials have not been restated.

Provision for income tax consists of the following:

	1993	1992	1991
Current:			
Federal	$2,327,000	$3,045,000	$3,006,000
State	322,000	1,006,000	469,000
	2,649,000	4,051,000	3,475,000
Deferred	(1,067,000)	(1,181,000)	(2,098,000)
	$1,582,000	$2,870,000	$1,377,000

Provision for income tax differs from amounts computed by applying the statutory tax rate to income from operations as follows:

	1993	1992	1991
Income tax at statutory rate	$1,022,000	$2,075,000	$ 892,000
State income tax, net of federal tax benefit	209,000	664,000	310,000
Life insurance	(92,000)	(86,000)	(99,000)
Excess book amortization	401,000	384,000	171,000
Effect of increase in statutory tax rate on deferred tax assets and liabilities	114,000	—	—
Other, net	(72,000)	(167,000)	103,000
	$1,582,000	$2,870,000	$1,377,000

Significant components of deferred tax assets and liabilities as of December 31, 1993, are as follows:

Deferred tax assets:	
Inventories	$ 1,926,000
Insurance reserves	1,838,000
Operating expenses not currently deductible	2,262,000
Postretirement health benefits	3,134,000
Employee benefit plans	625,000
Other	73,000
Total deferred tax assets	9,858,000
Deferred tax liabilities:	
Tax benefit transfer lease	7,156,000
Property, plant and equipment	4,089,000
Pension plan	291,000
Other	1,151,000
Total deferred tax liabilities	12,657,000
Net deferred tax liabilities	$ 2,799,000

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The tax effects of timing differences that exceed 5% of the amount resulting from multiplying consolidated income before income tax by the statutory income tax rate for the years ended December 31, 1992 and 1991 are as follows:

	1992	1991
Excess book depreciation and amortization	$ (292,000)	$ (374,000)
Inventory bases difference	61,000	(205,000)
Employee benefit plans	53,000	(270,000)
Insurance reserves	(327,000)	(375,000)
Operating expenses not currently deductible	(272,000)	(789,000)
Tax benefit transfer lease	(325,000)	(269,000)
Restructuring charge	—	55,000
Allowance for losses on accounts receivable	2,000	93,000
Other, net	(81,000)	36,000
	$ (1,181,000)	$ (2,098,000)

Income tax paid, net of refunds received, was $1,711,000 in 1993, $5,706,000 in 1992 and $2,541,000 in 1991.

Leases

The Company leases certain offices, retail stores, transportation, computer and other equipment used in its operations under noncancellable operating lease agreements expiring at various dates through 2003. Most leases contain renewal options and some contain purchase options. The leases generally provide that the Company pay taxes, maintenance, insurance and certain other operating expenses.

Rent expense was approximately $3,493,000 in 1993, $3,452,000 in 1992 and $3,669,000 in 1991. Minimum rental payments under the leases described above are as follows:

1994	$ 2,264,000
1995	1,993,000
1996	1,580,000
1997	1,221,000
1998	621,800
Later years	830,800
	$ 8,509,000

Employee Benefit Plans

Certain employees of the Company and the pipe and fittings business are participants in a noncontributory pension plan. The components of net pension cost were:

	1993	1992	1991
Service cost	$1,158,000	$1,010,000	$1,043,000
Interest cost	3,706,000	3,299,000	3,225,000
Actual return on plan assets	(5,437,000)	(5,722,000)	(9,801,000)
Net amortization and deferral	968,000	1,375,000	6,208,000
Net pension cost	$ 386,000	$ (38,000)	$ 675,000

The following table sets forth the funded status of the plan and amounts recognized in the balance sheets at the respective dates:

	1993	1992
Actuarial present value of benefit obligation		
Vested benefits	$42,798,000	$36,846,000
Nonvested benefits	5,584,000	3,969,000
Accumulated benefit obligation	48,382,000	40,815,000
Effect of projected future compensation increases	3,178,000	2,260,000
Projected benefit obligation	51,560,000	43,075,000
Plan assets at fair value, primarily U.S. Government securities and publicly traded stocks and bonds	57,510,000	54,746,000
Plan assets in excess of projected benefit obligation	5,950,000	11,671,000
Unrecognized net gain from past experience different from that assumed and changes in plan assumptions	(7,873,000)	(10,205,000)
Effect of change in discount rate	3,007,000	—
Prior service cost not yet recognized in net pension cost	674,000	735,000
Unrecognized net asset at date of initial application of FAS No. 87	(2,045,000)	(2,211,000)
Accrued pension cost	$ (287,000)	$ (10,000)

The pension plan held approximately 251,200 shares of the Company's common stock on December 31, 1993. The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was approximately 7.5% and 8% in 1993 and 1992, respectively. The assumed rate of increase in compensation was approximately 4%. The expected long-term rate of return on assets was approximately 8%.

The Company has union and nonunion savings and investment plans in which eligible employees of the Company and the pipe and fittings business may elect to participate. Employer contributions to the savings and investment plans including related expenses were $1,308,000 in 1993, $1,262,000 in 1992 and $1,300,000 in 1991. The plans provide that the Company will contribute not less than 50% of the eligible amount of employee contributions.

Forest City maintains a profit-sharing plan for the benefit of eligible employees of Forest City. Forest City's contribution to the profit-sharing plan was $90,000 in each of 1993, 1992 and 1991. The amount of Forest City's contribution to the profit-sharing plan is determined by its board of directors but may not exceed 15% of the aggregate compensation paid by Forest City to eligible employees for any plan year.

Postretirement Benefits

The Company provides medical coverage for current and future eligible retirees of its pipe and fittings business and their eligible dependents. Additionally, the Company provides life insurance coverage for current and future eligible retirees. Employees generally become eligible for retiree medical and life coverage after attaining age 55 with 10 years of service or after attaining age 65 with five years of service. The Company contributes a fixed-dollar amount toward the cost of the medical plan for all eligible retirees. Any future cost increases for the retiree medical program are charged to the retirees. The Company contributes the full cost of the retiree life plan.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106 - Employer's Accounting for Postretirement Benefits Other Than Pensions ("FAS No. 106"). FAS No. 106 requires the cost of postretirement health care and life insurance benefits to be accrued during the service lives of employees. Prior to FAS No. 106, costs were charged to expense as incurred. The Company elected to recognize immediately the accumulated postretirement benefit obligation on January 1, 1993, of $8,626,000 ($5,693,000 net of deferred income tax benefit). The

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Company continues to fund the benefit cost principally on a pay-as-you-go basis. Postretirement benefit cost was $757,000 in 1993, $475,000 in 1992 and $521,000 in 1991.

Net periodic postretirement benefit cost for 1993 included the following components:

Service cost	$ 92,000
Interest cost	665,000
	$ 757,000

The accumulated postretirement benefit obligation included in the Company's balance sheet at December 31, 1993, is as follows:

Retirees	$6,019,000
Fully eligible active plan participants	1,735,000
Other active participants	1,638,000
	9,392,000
Unrecognized loss from changes in assumptions	438,000
Accrued postretirement benefit cost	$8,954,000

The assumed discount rate used in determining the accumulated postretirement benefit obligation was 7.5% at December 31, 1993, and 8% at the date of initial adoption of FAS No. 106. Because the Company contributes a fixed-dollar amount to the plan, the medical trend rate and employee compensation increases do not affect the calculation of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost.

Commitments and Contingencies

The Company is subject to various environmental laws and regulations and, as such, is involved in environmental matters related to its manufacturing operations. The Company is also involved in legal actions, including allegations of anticompetitive business practices, and claims arising in the ordinary course of business. Management of the Company does not expect the outcome of these items to have a material adverse effect on its consolidated financial position.

Shareholders' Equity

In 1993, 1992 and 1991, the Company bought shares of its common stock from benefit plans of former subsidiaries of the Company at market prices.

At December 31, 1993, the Company had authorized 1,000,000 shares of $10 par value voting preferred stock. The board of directors designated 250,000 shares as Series A Junior Participating Preferred Stock which are reserved for issuance upon exercise of the Company's stock purchase rights. In 1993 the Company declared a dividend of one stock purchase right for each outstanding share of common stock. Each right may be exercised to purchase 1/100 of a share of Series A Preferred Stock for $21. Each share of Series A Preferred Stock will have a minimum preferential quarterly dividend of 100 times the dividend declared on common stock and a minimum liquidation preference of $100 per share. Upon liquidation or any merger or other business combination in which common stock is exchanged, the holders of the Series A Preferred Stock will be entitled to receive 100 times the amount received per share of common stock.

The stock purchase rights may be exercised only after public announcement that a person or group has acquired 20% or more of the Company's common stock or public announcement of an offer for 30% or more of the Company's common stock. The rights, which do not have voting rights, will expire on March 14, 2003. The rights may be redeemed by the Company at a price of $.01 per right at any time prior to 15 days (or such longer period as the board of directors may determine) after the acquisition of 20% of the Company's common stock. If the Company is acquired in a merger or other business combination after the rights become activated, each right will entitle its holder to purchase, at the exercise price of $21, shares of common stock in the acquiring company having a market value of $42. If the Company is the surviving corporation, each right will entitle the holder to purchase, at the exercise price of $21, shares of common stock of the Company having a market value of $42.

The Tyler Corporation Stock Option Plan provides for the granting of nonqualified and incentive stock options, as defined by the Internal Revenue Code, to key employees of the Company and its subsidiaries at prices which represent fair market value at dates of grant. Following is a summary of option transactions during 1993, 1992 and 1991:

	Number of Shares	Option Prices
Options outstanding at January 1, 1991	271,812	$ .17 to $3.50
Granted	30,000	3.00
Options outstanding at December 31, 1991	301,812	.17 to 3.50
Granted	50,000	4.50
Canceled	(2,250)	3.00
Exercised	(15,223)	1.37 to 3.00
Options outstanding at December 31, 1992	334,339	.17 to 4.50
Granted	37,000	4.87 to 5.00
Canceled	(2,920)	1.37
Exercised	(32,529)	1.37 to 3.05
Options outstanding at December 31, 1993	335,890	$ .17 to $5.00
Exercisable at December 31, 1993	268,431	
Reserved for future options	713,889	

Subsequent Event

On January 7, 1994, the Company completed the acquisition of Institutional Financing Services, Inc. for approximately $50 million and the assumption of seasonal working capital debt of $12.8 million. Additional payments to the former shareholders of IFS are possible based on operating profit performance. IFS is a direct marketer which assists schools in fund raising by arranging for students to sell company-supplied gift items to family and friends. The company had sales of $68.2 million and operating profit, which is before amortization and interest expense, of $6.4 million for the twelve months ended December 31, 1993.

The acquisition, which will be accounted for under the purchase method, was financed with existing cash and borrowings under the Company's revolving lines of credit.

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Industry Segments

The Company sells products and services to industrial and retail customers through two principal operating units. Selected financial information is presented below for 1993, 1992 and 1991 (000 omitted).

	Segment Net Sales			Segment Operating Profits		
	1993	1992	1991	1993	1992	1991
Automotive aftermarket parts	$ 84,464	$ 78,453	$ 62,622	$ 7,066	$ 3,944	$ 5,016
Pipe and fittings	197,939	207,753	203,752	1,404	3,637	2,899
Segment totals	$282,403	$ 286,206	$ 266,374	8,470	11,581	7,915
Interest expense, net				487	608	769
Unallocated corporate expense				5,063	4,868	4,522
Income before income tax				$ 2,920	$ 6,105	$ 2,624

	Capital Expenditures			Depreciation and Amortization		
	1993	1992	1991	1993	1992	1991
Automotive aftermarket parts	$ 913	$ 1,929	$ 296	$ 1,640	$ 1,337	$ 1,154
Pipe and fittings	8,314	6,804	4,833	8,772	9,593	9,124
Other	1,666	26	10	222	75	96
Consolidated	$ 10,893	$ 8,759	$ 5,139	$ 10,634	$ 11,003	$ 10,374

	Tangible Assets			Intangible Assets		
	1993	1992	1991	1993	1992	1991
Automotive aftermarket parts	$ 22,815	$ 17,930	$ 14,250	$ 18,473	$ 18,845	$ 19,198
Pipe and fittings	82,127	93,400	97,039	28,666	29,425	30,184
Other	21,842	14,887	10,662	—	—	—
Consolidated	$126,784	$ 126,217	$ 121,951	$ 47,139	$ 48,270	$ 49,382

	Identifiable Assets		
	1993	1992	1991
Automotive aftermarket parts	$ 41,288	$ 36,775	$ 33,448
Pipe and fittings	110,793	122,825	127,223
Other	21,842	14,887	10,662
Consolidated	$173,923	$ 174,487	$ 171,333

Unallocated corporate expense relates principally to salaries and related employee benefit costs and space requirements.
Other identifiable assets consist primarily of cash and cash equivalents.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Tyler Corporation

We have audited the accompanying consolidated balance sheets of Tyler Corporation as of December 31, 1993 and 1992, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tyler Corporation at December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Ernst + Young
Ernst + Young

Dallas, Texas
January 28, 1994

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SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales					
1993	$60,773,000	$76,763,000	$77,946,000	$66,921,000	$282,403,000
1992	66,519,000	76,940,000	76,954,000	65,793,000	286,206,000
Gross profit					
1993	12,054,000	17,514,000	16,079,000	15,732,000	61,379,000
1992	13,001,000	16,988,000	17,614,000	14,777,000	62,380,000
Income (loss) before cumulative effect of accounting changes					
1993	(928,000)	1,444,000	418,000	404,000	1,338,000
1992	110,000	1,482,000	1,633,000	10,000	3,235,000
Net income (loss)					
1993	(4,529,000)	1,444,000	418,000	404,000	(2,263,000)
1992	110,000	1,482,000	1,633,000	10,000	3,235,000
Earnings (loss) per common share before cumulative effect of accounting changes					
1993	(.04)	.07	.02	.02	.07
1992	.01	.07	.08	—	.16
Net earnings (loss) per common share					
1993	(.22)	.07	.02	.02	(.11)
1992	.01	.07	.08	—	.16
Stock trading price range					
1993	5 1/4 - 4 1/2	5 1/4 - 4 3/4	5 1/8 - 4 1/4	5 1/4 - 4 1/2	5 1/4 - 4 1/4
1992	5 7/8 - 2 3/4	5 1/2 - 4 3/8	5 1/8 - 4 1/8	5 - 3 3/4	5 7/8 - 2 3/4

No cash dividends were paid in 1993 or 1992.

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