

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-13** | Period of Report: **1993-11-30**
SEC Accession No. **0000950152-94-000023**

([HTML Version](#) on secdatabase.com)

FILER

SUDBURY INC

CIK: **811801** | IRS No.: **341546292** | State of Incorpor.: **DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **001-10023** | Film No.: **94501218**
SIC: **3531** Construction machinery & equip

Business Address
30100 CHAGRIN BLVD
STE 203
CLEVELAND OH 44124
2164647026

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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

For the quarterly period ended NOVEMBER 30, 1993

OR

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

For the transition period from _____ to _____

Commission File Number 0-10023

SUDBURY, INC.

(Exact name of Registrant as specified in its Charter)

DELAWARE

34-1546292

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

30100 CHAGRIN BOULEVARD, SUITE 203 CLEVELAND, OHIO

44124

(Address of Principal Executive Office)

(Zip Code)

Registrant's Telephone Number, including Area Code: (216) 464-7026

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

YES X NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES X NO (See below)

ON JANUARY 10, 1992, THE REGISTRANT FILED A PETITION FOR REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES CODE IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF OHIO (THE "BANKRUPTCY COURT"). ON AUGUST 18, 1992, THE BANKRUPTCY COURT CONFIRMED THE THIRD AMENDED PLAN OF REORGANIZATION (THE "PLAN") OF THE REGISTRANT. THE PLAN BECAME EFFECTIVE ON SEPTEMBER 1, 1992 AND DISTRIBUTIONS UNDER THE PLAN COMMENCED ON OCTOBER 15, 1992.

PURSUANT TO THE PLAN, 10,000,000 SHARES OF NEW COMMON STOCK, \$0.01 PAR VALUE, ARE ISSUABLE IN SATISFACTION OF THE ALLOWED CLAIMS OF THE CREDITORS AND STOCKHOLDERS OF THE REGISTRANT. AS OF JANUARY 6, 1994, 9,478,945 SHARES HAVE BEEN ISSUED AND ARE OUTSTANDING.

Total Pages - 19

Exhibit Index - Page 16

2
<TABLE>
<CAPTION>

INDEX

SUDBURY, INC. AND SUBSIDIARIES

	PAGE

<S>	<C>
PART I - FINANCIAL INFORMATION	
Item 1.	Financial Statements
	Condensed Consolidated Balance Sheets as of November 30, 1993 and May 31, 1993
	3 - 4
	Condensed Consolidated Statements of Operations for the three-month periods ended November 30, 1993 and November 30, 1992
	5
	Condensed Consolidated Statements of Operations for the six-month periods ended November 30, 1993 and November 30, 1992
	6
	Condensed Consolidated Statements of Cash Flows for the six-month periods ended November 30, 1993 and November 30, 1992
	7
	Notes to Condensed Consolidated Financial Statements
	8 - 10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	11 - 14
PART II - OTHER INFORMATION	
Item 1.	Legal Proceedings
	15
Item 4.	Submission of Matters to a Vote of Security Holders
	15
Item 6.	Exhibits and Reports on Form 8-K
	16

</TABLE>

<TABLE>
 <CAPTION>
 PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

SUDBURY, INC. AND SUBSIDIARIES

ASSETS

	NOVEMBER 30, 1993 (UNAUDITED) -----	MAY 31, 1993 (AUDITED) -----
(Dollars in thousands)		
<S>	<C>	<C>
CURRENT ASSETS		
Cash	\$ 2,136	\$ 5,284
Accounts receivable, net of allowance	33,795	32,902
Inventories	20,040	19,853
Net assets of businesses held for sale	-	500
Prepaid expenses and other	3,163	4,183
	-----	-----
TOTAL CURRENT ASSETS	59,134	62,722
PROPERTY, PLANT AND EQUIPMENT		
Land and land improvements	2,191	2,222
Buildings	15,556	15,421
Machinery and equipment	36,929	33,830
	-----	-----
	54,676	51,473
Less accumulated depreciation	8,356	4,991
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	46,320	46,482
OTHER ASSETS		
Notes receivable	521	2,770
Net assets of businesses held for sale	2,000	2,000
Intangible pension asset	758	758
Other assets	1,413	1,724
	-----	-----
TOTAL OTHER ASSETS	4,692	7,252
	-----	-----
	\$110,146	\$116,456
	=====	=====

<FN>
 See notes to condensed consolidated financial statements.
 </TABLE>

<TABLE>
 <CAPTION>
 PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS - (CONTINUED)

SUDBURY, INC. AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' EQUITY

	NOVEMBER 30, 1993 (UNAUDITED) -----	MAY 31, 1993 (AUDITED) -----
(Dollars in thousands)		
<S>	<C>	<C>
CURRENT LIABILITIES		
Trade accounts payable	\$ 18,976	\$ 19,665
Accrued compensation and employee benefits	10,880	11,712
Income taxes	711	609
Environmental reserves	1,444	1,550
Other accrued expenses	9,279	9,817
Current maturities of long-term debt	2,468	3,088
	-----	-----
TOTAL CURRENT LIABILITIES	43,758	46,441
LONG-TERM DEBT	37,860	45,984
OTHER LONG-TERM LIABILITIES	6,826	6,673
DEFERRED INCOME TAXES	550	550
STOCKHOLDERS' EQUITY		
Common Stock - par value \$0.01 per share; authorized 20,000,000 shares; 10,007,534 (10,000,000 at May 31, 1993) shares issuable and deemed outstanding	100	100
Additional paid-in capital	13,930	13,900
Retained earnings	7,122	2,808
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	21,152	16,808
	-----	-----
	\$110,146	\$116,456
	=====	=====

<FN>
See notes to condensed consolidated financial statements.
</TABLE>

- 4 -

5
<TABLE>
<CAPTION>
PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
SUDBURY, INC. AND SUBSIDIARIES

	THREE MONTHS ENDED -----	
	NOVEMBER 30, 1993 (UNAUDITED) -----	NOVEMBER 30, 1992 (UNAUDITED) -----
(In thousands, except per share amounts)		
<S>	<C>	<C>

Net sales:		
Ongoing operations	\$ 60,584	\$ 55,255
Businesses held for sale	-	16,667
	-----	-----
Total	60,584	71,922
Costs and expenses:		
Costs of products sold:		
Ongoing operations	51,508	46,736
Businesses held for sale	-	14,199
	-----	-----
Total	51,508	60,935
Selling and administrative expenses:		
Ongoing operations	5,496	5,308
Businesses held for sale	-	1,984
	-----	-----
Total	5,496	7,292
Special charges	-	494
	-----	-----
OPERATING INCOME	3,580	3,201
Interest expense	(986)	(1,628)
Interest income	18	58
Other income (expense)	162	(357)
	-----	-----
Income before income taxes	2,774	1,274
Income tax (benefit) expense	(458)	110
	-----	-----
NET INCOME	\$ 3,232	\$ 1,164
	=====	=====
Net income per share:		
Primary	\$.26	\$.10
	=====	=====
Fully diluted	\$.26	\$.10
	=====	=====
Common shares and common share equivalents:		
Primary	12,217	11,751
	=====	=====
Fully diluted	12,258	11,753
	=====	=====

<FN>

See notes to condensed consolidated financial statements.

</TABLE>

<TABLE>

<CAPTION>

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

SIX MONTHS ENDED

(In thousands, except per share amounts)

	NOVEMBER 30, 1993 (UNAUDITED)	NOVEMBER 30, 1992 (UNAUDITED)
<S>	<C>	<C>
Net sales:		
Ongoing operations	\$115,028	\$107,355
Businesses held for sale	315	47,560
Total	115,343	154,915
Costs and expenses:		
Costs of products sold:		
Ongoing operations	98,711	91,130
Businesses held for sale	151	40,878
Total	98,862	132,008
Selling and administrative expenses:		
Ongoing operations	10,952	10,732
Businesses held for sale	164	5,507
Total	11,116	16,239
Special charges	-	1,589
OPERATING INCOME	5,365	5,079
Interest expense (Contractual interest for the period ended November 30, 1992, \$4,870)	(1,978)	(3,181)
Interest income	73	91
Other income (expense)	439	(365)
Income before income taxes	3,899	1,624
Income tax (benefit) expense	(415)	160
INCOME BEFORE EXTRAORDINARY GAIN	4,314	1,464
Extraordinary gain - forgiveness of pre-petition liabilities	-	78,805
NET INCOME	\$ 4,314	\$ 80,269
Net income per share:		
Primary	\$.36	
Fully diluted	\$.35	
Common shares and common share equivalents:		
Primary	12,148	
Fully diluted	12,270	

</TABLE>

See notes to condensed consolidated financial statements. As discussed in Note B, the amounts presented for the six months ended November 30, 1993 are not comparable to those for the six months ended November 30, 1992, and as such a solid double line has been placed between the amounts. Also, net income per share amounts for the six months ended November 30, 1992 are not presented as they are irrelevant as a result of the reorganization.

7

<TABLE>

<CAPTION>

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SUDBURY, INC. AND SUBSIDIARIES

(Dollars in thousands)

<S>

OPERATING ACTIVITIES:

Income before extraordinary gain

Items included not affecting cash:

SIX MONTHS ENDED

	NOVEMBER 30,	NOVEMBER 30,
	1993	1992
	(UNAUDITED)	(UNAUDITED)
	-----	-----
	<C>	<C>
	\$ 4,314	\$ 1,464

Depreciation and amortization:			
Ongoing operations	4,109		3,876
Businesses held for sale	47		1,845
Other	131		(60)
Changes in operating assets and liabilities:			
Ongoing operations	(2,215)		(5,077)
Businesses held for sale	(28)		(2,106)
	-----		-----
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES	6,358		(58)
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment:			
Ongoing operations	(3,466)		(1,189)
Businesses held for sale	-		(187)
Proceeds from collection of notes receivable	2,249		-
Proceeds from sale of businesses	666		24,400
Contingent payments to former owners of acquired businesses	(188)		(678)
Proceeds from sale of property, plant, equipment and other - net	134		35
	-----		-----
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(605)		22,381
FINANCING ACTIVITIES:			
Borrowings, refinancings and repayments:			
Short and long-term borrowings	117,175		21
Reductions of debt:			
Ongoing operations	(126,106)		(25,894)
Businesses held for sale	-		(633)
Common stock issued	30		-
	-----		-----
NET CASH USED IN FINANCING ACTIVITIES	(8,901)		(26,506)
	-----		-----
DECREASE IN CASH	(3,148)		(4,183)
Cash at beginning of period	5,284		12,386
	-----		-----
CASH AT END OF PERIOD	\$ 2,136		\$ 8,203
	=====		=====

</TABLE>

See notes to consolidated financial statements. As discussed in Note B, the amounts presented for the six months ended November 30, 1993 are not comparable to those for the six month period ended November 30, 1992, and as such a solid double line has been placed between the amounts.

- 7 -

8

PART I, ITEM 1 - FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUDBURY, INC. AND SUBSIDIARIES

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the

information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended November 30, 1993 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended May 31, 1993.

NOTE B -- PROCEEDINGS UNDER CHAPTER 11 AND RESTRUCTURING

On January 10, 1992, Sudbury, Inc. (the "Company") filed a petition (relative only to Sudbury, Inc. and not to its subsidiaries) under Chapter 11 of the United States Bankruptcy Code. The Chapter 11 filing was made to implement an agreement in principle which had been reached with the Company's major creditor groups regarding a restructuring plan and the related sales of a substantial number of its business units.

The Company's amended Plan of Reorganization (the "Plan") was confirmed by the Bankruptcy Court by Order dated August 18, 1992 and became effective on September 1, 1992 (the "Effective Date"). Distributions under the Plan commenced on October 15, 1992.

The Plan implemented a restructuring of the Company by providing for a new amortization schedule for the repayment of the indebtedness owed to its secured lender banks and a significant reduction of the Company's indebtedness to subordinated debtholders and certain other unsecured creditors.

In order to repay the indebtedness owed to the secured lender banks as provided by the Plan, the Company implemented a business plan with an asset disposition program involving the sale of a substantial number of its subsidiaries. Through November 30, 1993 the asset disposition program generated aggregate net cash proceeds of approximately \$37.6 million.

In February 1993 the Company proceeded with a plan to refinance its existing bank debt and on May 28, 1993 the Company successfully completed the refinancing by obtaining a three-year asset-based \$48,000,000 Credit Facility ("Credit Facility") with a new secured lender group. This new Credit Facility allowed the Company to retain six core businesses and cease the previous asset sale process except for the 35% investment in General Products Delaware Corporation which is still held for sale.

- 8 -

9

PART I, ITEM 1 - FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUDBURY, INC. AND SUBSIDIARIES

NOTE B -- PROCEEDINGS UNDER CHAPTER 11 AND RESTRUCTURING - CONTINUED

As a result of the Company's emergence from Chapter 11, certain amounts presented on the statements of operations for the six month period ended November 30, 1992, principally for interest expense, and on the statements of cash flows for the six months ended November 30, 1992 are not comparable to the current period and therefore a solid double line has been placed between the amounts. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended May 31, 1993.

NOTE C -- CASH

As of November 30, 1993 and May 31, 1993, \$1,599,000 and \$6,339,000 of

the cash balances, respectively, consisted of funds restricted as to their use. \$1,599,000 and \$1,503,000 of the restricted amounts, respectively, reflected funds set aside to pay prospective property and casualty insurance claims at the Company's captive insurance company. The balance of restricted amounts at May 31, 1993 was used to reduce bank debt subsequent to the end of the fiscal year.

<TABLE>
<CAPTION>

NOTE D -- INVENTORIES

The components of inventories are summarized as follows (in thousands):

	November 30, 1993	May 31, 1993
	-----	-----
<S>	<C>	<C>
Raw materials and supplies	\$ 7,981	\$ 7,619
Work in process	7,870	8,275
Finished products	4,407	4,202
	-----	-----
Total at FIFO	20,258	20,096
Less excess of FIFO cost over LIFO values	218	243
	-----	-----
	\$20,040	\$19,853
	=====	=====

</TABLE>

NOTE E -- SPECIAL CHARGES

Special charges of \$494,000 and \$1,589,000 related to consulting and other expenses were incurred under the Company's restructuring program for the three and six month periods ended November 30, 1992, respectively. No special charges were incurred in the six months ended November 30, 1993.

NOTE F -- CONTINGENCIES

The Company is party to a number of lawsuits and claims arising out of the conduct of its business, including those relating to commercial transactions, product liability and environmental, safety and health matters.

- 9 -

10

PART I, ITEM 1 - FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUDBURY, INC. AND SUBSIDIARIES

NOTE F -- CONTINGENCIES - CONTINUED

As a general matter, the confirmation of the Plan by the Bankruptcy Court precludes plaintiffs in pending litigation from prosecuting their claims against the Company. To the extent any such plaintiffs filed claims in the Company's bankruptcy proceeding, such claims will be treated in such bankruptcy proceeding. Any distributions on account of such claims will be made in the form of securities of the Company rather than in cash. Under the terms of the Plan, the Company has limited indemnification obligations with respect to certain of its officers and directors for actions and omissions prior to confirmation of the Plan. The Company's liability under such indemnification obligations is limited to an aggregate of \$2,000,000 (subject to certain conditions). The Company has fully reserved the \$2,000,000, of which \$1,000,000 has been deposited in trust.

The Company has been named as a potentially responsible party for cleanup costs by the United States Environmental Protection Agency with respect

to several sites. The Company has initiated corrective action and/or preventative environmental projects to ensure the safe and lawful operation of its facilities. All operating locations acquired by the Company since 1984 operate in a variety of locations and industries where environmental situations could exist based on past practices. For known environmental situations, the Company, with the assistance of environmental engineers and consultants, has accrued amounts to cover estimated future environmental expenditures. There could exist, however, current environmental situations for which the future cost is not known or accrued at November 30, 1993.

While the ultimate result of the above contingencies cannot be predicted with certainty, management does not expect these matters to have a material adverse effect on the consolidated financial position or results of operations of the Company.

- 10 -

11

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS - THREE MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO THREE MONTHS ENDED NOVEMBER 30, 1992

Sales. The Company's net sales from ongoing operations for the second quarter of fiscal 1994 increased by 10% to \$60.6 million from \$55.3 million in the prior year's quarter. Sales to the automotive industry through the Company's Wagner Castings Company ("Wagner") and Industrial Powder Coatings, Inc. ("IPC") subsidiaries increased by \$5.4 million over the prior year period as a result of \$2.2 million in net new business and \$3.2 million in increased volumes of existing products.

Sales of businesses held for sale were eliminated to zero from \$16.7 million recorded in the prior year period due to the sale of 15 of the Company's businesses since the beginning of fiscal 1993.

Net Income. Net income for the second quarter of fiscal 1994 was \$3.2 million compared to \$1.2 million in the prior year period. Principal variations between the current period net income compared to the prior period are discussed below.

Operating income of ongoing operations increased by \$.4 million, principally as a result of the increased sales discussed previously. Operating margins were negatively impacted by \$.4 million during the period due to significant price increases in scrap steel which is the principal raw material utilized at Wagner. Wagner's commitments with most of its major customers provide for the passage of the majority of increases or decreases in the cost of scrap steel on to its customers, however, these adjustments are generally passed along three to six months subsequent to the time the change occurs. As a result of this delay in passing along these price increases, third quarter operating earnings are also expected to be negatively impacted.

Operating income of businesses held for sale decreased by \$.5 million reflecting the impact of their sale during the past year.

Special charges decreased by \$.5 million as the Company substantially completed its restructuring in fiscal 1993.

Interest expense decreased by \$.6 million due to (a) reductions in debt caused by the Company's asset sale program, (b) reductions in debt in connection with the Company's new Credit Facility which provided the Company with a revolving line of credit, as the Company's previous credit facility did not include a revolving line of credit and cash balances could not be applied

against debt, and (c) reductions in debt due to cash flow from increased profitability.

- 11 -

12

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS - THREE MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO THREE MONTHS ENDED NOVEMBER 30, 1992 - continued

Income tax expense during the current period benefited from the receipt of \$.5 million in state tax refunds as a result of the successful resolution of a tax dispute.

As approximately half of the Company's sales are dependent on the automotive markets in the United States and Europe, related profits will be dependent on sales of vehicles in these markets for the remainder of the fiscal year. The Company is also dependent on construction related markets through its Iowa Mold Tooling ("IMT") subsidiary. IMT has experienced recent improvements in its order backlog which may help to improve its results for the remainder of the current fiscal year.

RESULTS OF OPERATIONS - SIX MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO SIX MONTHS ENDED NOVEMBER 30, 1992

Sales. The Company's net sales from ongoing operations for the current six month period increased by 7% to \$115.0 million from \$107.4 million in the prior year period. Automotive related sales through Wagner and IPC increased by \$8.7 million over the prior year's period as a result of \$4.8 million in net new business and \$3.9 million in increased volumes of existing products.

Sales of businesses held for sale decreased to \$.3 million from \$47.6 million recorded in the prior year period due to the sale of 15 of the Company's businesses since the beginning of fiscal 1993. In July 1993, the Company sold RD&D Corporation, the last of its wholly-owned subsidiaries which was held for sale.

Net Income. Income before extraordinary gain for the current six month period was \$4.3 million compared to \$1.5 million in the prior year period. Principal variations between the current period net income compared to the prior period are discussed below.

Operating income of ongoing operations decreased by \$.1 million despite the increase in sales due to (a) lower profitability at IMT resulting from backlog reductions that were experienced during the earlier part of the current fiscal year, (b) \$.6 million of higher raw material costs at Wagner, and (c) start-up costs and higher fixed costs incurred in the first quarter of the current fiscal year as a result of the re-opening of Wagner's Havana, Illinois facility.

Operating income of businesses held for sale decreased by \$1.2 million reflecting the impact of their sale over the past year.

- 12 -

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS - SIX MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO SIX MONTHS ENDED NOVEMBER 30, 1992 - continued

Special charges decreased by \$1.6 million as the Company substantially completed its restructuring in fiscal 1993.

The Company's interest expense decreased by \$1.2 million due principally to reductions in debt over the past fiscal year. Other income of \$.4 million in the current period principally relates to the receipt of miscellaneous contingent proceeds and escrows relating to the sale of assets.

LIQUIDITY AND CAPITAL RESOURCES

As previously discussed, effective September 1, 1992, the Company emerged from reorganization under Chapter 11 of the United States Bankruptcy Code.

In May 1993, the Company completed the refinancing of its then existing bank debt with a three year asset-based \$48,000,000 credit facility with a new lender group. The Credit Facility provides the Company with a \$33.8 million revolving credit facility, an \$11.2 million term loan and a \$3.0 million capital expenditure facility. As of November 30, 1993, the Company had borrowed \$16.4 million under its revolving credit facility and had \$9.6 million of additional borrowing capacity based on the asset-based advance rate formulas contained in the Credit Facility agreement. The Company had not borrowed under the capital expenditure facility as of November 30, 1993. This facility provides the Company funds for 75% of the cost of eligible capital expenditures.

For the first six months of fiscal 1994, operating activities provided cash of \$6.4 million compared to a usage of \$.1 million in the prior year period. The increase in cash provided in fiscal 1994 was due to higher income and a lower increase in working capital.

Capital expenditures for ongoing operations were \$3.5 million in fiscal 1994 compared with \$1.2 million in the prior year period. The increase in capital expenditures was mainly due to the Company's improved liquidity and its ability, under its new Credit Facility, to invest more money in its businesses. Capital expenditures had been low for the past several years due to constraints under the Company's credit agreement with its previous bank group and in an effort to increase liquidity.

- 13 -

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

LIQUIDITY AND CAPITAL RESOURCES - continued

During the first six months of fiscal 1994, the Company received \$2.2 million from the collection of notes receivable related to subsidiaries which were sold in fiscal 1993. These funds were used by the Company to reduce bank debt under its Credit Facility.

The Company believes that funds available under the Credit Facility, funds generated from operations and the utilization of the Company's net operating loss carryforward to reduce income tax liabilities will be sufficient to satisfy its anticipated operating needs and capital improvements for the remainder of fiscal 1994.

- 14 -

15

PART II OTHER INFORMATION

Item 1. - LEGAL PROCEEDINGS

As a general matter, confirmation of the Company's Plan by the Bankruptcy Court precludes plaintiffs in pre-bankruptcy litigation from continuing to prosecute their claims against the Company. To the extent any such plaintiffs have filed claims in the Company's bankruptcy proceeding, such claims will be determined in such bankruptcy proceeding. Under the terms of the Company's Plan, distributions on account of such claims will generally be made in the form of securities of the Company rather than in cash. Under the terms of the Plan, the Company has limited indemnification obligations with respect to its officers and directors for actions and omissions prior to confirmation of the Plan. The Company's liability for such indemnification obligations is limited to an aggregate of \$2,000,000 (subject to certain conditions). The Company has fully reserved the \$2,000,000, of which \$1,000,000 has been deposited in trust.

Certain litigation was described in the Company's annual report on Form 10-K for the year ended May 31, 1993. There have been no material developments in the described cases for the fiscal quarter ended November 30, 1993.

Item 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders of the Company held on October 21, 1993, the stockholders considered and voted on the election of six directors for one-year terms expiring in 1994 or until their successors have been duly elected and qualified and a resolution proposed by the Board of Directors that the stockholders ratify the action of the Board of Directors in selecting and appointing Ernst & Young as independent auditors for the Company for the year ending May 31, 1994.

All of management's nominees for directors, as listed in the proxy statement, were elected by the following votes:

<TABLE>

<S>	<C>	<C>
Cloyd J. Abruzzo	For	5,558,817
	Withheld	6,561
Jerry A. Cooper	For	5,558,188
	Withheld	7,190
Preston Heller, Jr.	For	5,556,698
	Withheld	8,680
David A. Preiser	For	5,555,073
	Withheld	10,305
Jacques R. Sardas	For	5,553,121
	Withheld	12,257
Thomas F. Slater	For	5,557,925
	Withheld	7,453

</TABLE>

PART II OTHER INFORMATION

Item 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - continued

The proposal to ratify the appointment of Ernst & Young as the Company's independent auditors was passed by the following vote:

<TABLE>	<S>	<C>
	Shares Voted For	5,550,560
	Shares Voted Against	12,665
	Abstentions	346
</TABLE>	Broker Non-Votes	1,807

Item 6. - EXHIBITS AND REPORTS ON FORM 8-K

The Company did not file any reports on Form 8-K during the three months ended November 30, 1993.

<TABLE>
<CAPTION>

EXHIBIT INDEX

EXHIBIT		SEQUENTIAL PAGE NUMBER
-----		-----
<S>	<C>	<C>
(11)	Statement re: Computation of Per Share Earnings	18 - 19
</TABLE>		

SIGNATURES

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

<TABLE>
<S>

<C>
SUDBURY, INC.
(Registrant)

By: /s/Jacques R. Sardas

Jacques R. Sardas
Chairman of the Board
and Chief Executive Officer

By: /s/Mark E. Brody

Mark E. Brody
Vice President of Finance and Controller
(Chief Accounting Officer)

</TABLE>

Date: January 13, 1994

- 17 -

<TABLE>

<CAPTION>

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

SUDBURY, INC. AND SUBSIDIARIES

	THREE MONTHS ENDED	
	NOVEMBER 30, 1993	NOVEMBER 30, 1992
	-----	-----
(Amounts in thousands, except per share data)		
<S>	<C>	<C>
PRIMARY		
Average shares outstanding	10,004	10,000
Net effect of dilutive stock options and other common stock equivalents - based on the treasury stock method using average market price	2,213	1,751
	-----	-----
TOTAL	12,217	11,751
	=====	=====
Net income	\$ 3,232	\$ 1,164
	=====	=====
Per share amount	\$.26	\$.10
	=====	=====
FULLY DILUTED		
Average shares outstanding	10,004	10,000
Net effect of dilutive stock options and other common stock equivalents - based on the treasury stock method using the quarter end market price if higher than average market price	2,254	1,753
	-----	-----
TOTAL	12,258	11,753
	=====	=====
Net income	\$ 3,232	\$ 1,164
	=====	=====
Per share amount	\$.26	\$.10
	=====	=====

</TABLE>

<TABLE>

<CAPTION>

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	SIX MONTHS ENDED	
	NOVEMBER 30, 1993	NOVEMBER 30, 1992
(Amounts in thousands, except per share data)		
<S>	<C>	<C>
PRIMARY		
Average shares outstanding	10,002	
Net effect of dilutive stock options and other common stock equivalents - based on the treasury stock method using average market price	2,146	
TOTAL	12,148	
Net income	\$ 4,314	
Per share amount	\$.36	(A)
FULLY DILUTED		
Average shares outstanding	10,002	
Net effect of dilutive stock options and other common stock equivalents - based on the treasury stock method using the quarter end market price if higher than average market price	2,268	
TOTAL	12,270	
Net income	\$ 4,314	
Per share amount	\$.35	(A)

<FN>
 (A) As a result of the changes in ownership and capital structure from the Plan, primary and fully diluted net income per share calculations are not relevant for the six month period ended November 30, 1992.

</TABLE>

