

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

CRSS INC

CIK: **25941** | IRS No.: **741677382** | State of Incorporation: **DE** | Fiscal Year End: **0630**
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SIC: **8700** Engineering, accounting, research, management

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

OR

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

For the transition period from _____ to _____

Commission File Number 1-7477

CRSS INC.
(Exact Name of registrant as specified in its Charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

74-1677382
(I.R.S. Employer
Identification Number)

1177 WEST LOOP SOUTH, SUITE 800, HOUSTON, TEXAS
(Address of Principal Executive Offices)

77027
(Zip Code)

Registrant's telephone number, including area code (713) 552-2000

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
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Class of Common Stock -----	Outstanding at May 5, 1995 -----
\$1 Par Value	12,808,096

CRSS INC. AND SUBSIDIARIES

FORM 10-Q

MARCH 31, 1995

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PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS

CRSS INC.
CONSOLIDATED BALANCE SHEET

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(DOLLARS IN THOUSANDS)	March 31, 1995 ----- (unaudited)	June 30, 1994 -----
	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,519	\$ 2,229
Accounts receivable	3,027	4,664
Deferred income taxes	1,959	1,959
Other current assets	6,432	5,546
Net current assets from discontinued operations	7,060	36,621
	-----	-----
Total current assets	39,997	51,019
Property, plant and equipment, net	75,624	78,043
Net noncurrent assets from discontinued operations	7,326	7,326
Other assets:		
Equity investment in partnerships	62,672	61,538

Other noncurrent assets	10,090	12,746
	-----	-----
	72,762	74,284
	-----	-----
	\$195,709	\$210,672
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 944	\$ 946
Current portion of long-term obligations	3,200	3,096
Other current liabilities	5,407	9,510
	-----	-----
Total current liabilities	9,551	13,552
Non-recourse project financing	59,098	60,937
Other long-term obligations	5,227	7,845
Deferred income taxes	42,046	40,452
Shareholders' equity:		
Preferred stock, no par value, 2,000,000 shares authorized but unissued	-	-
Common stock, \$1.00 par value, 50,000,000 shares authorized; issued March 31, 1995 - 16,651,000 shares and June 30, 1994 - 16,492,000	16,651	16,492
Additional paid-in capital	70,546	69,253
Retained earnings	22,502	29,184
	-----	-----
	109,699	114,929
Treasury stock, at cost, 3,843,000 shares at March 31, 1995 and 3,574,000 shares at June 30, 1994	(29,868)	(26,946)
Other	(44)	(97)
	-----	-----
	79,787	87,886
	-----	-----
	\$195,709	\$210,672
	=====	=====

</TABLE>

See Notes to Unaudited Consolidated and Combined Financial Statements

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CRSS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1995 ----	1994 ----	1995 ----	1994 ----
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>
Revenues:				
Electricity and steam sales	\$ 6,432	\$ 6,276	\$19,218	\$19,044
Operations and administrative service fees	797	765	2,473	2,881
Other revenues	25	26	77	76
	-----	-----	-----	-----
	7,254	7,067	21,768	22,001
Costs and expenses:				
Plant operations	5,445	5,330	16,619	15,837
General and administrative	2,585	572	7,563	4,745
Marketing and project development	834	710	1,832	1,992
	-----	-----	-----	-----
	8,864	6,612	26,014	22,574
Equity income in partnerships	4,817	3,216	14,272	10,802
	-----	-----	-----	-----
Operating income from continuing operations	3,207	3,671	10,026	10,229

Other income (expense):				
Non-operating income	260	19	741	209
Interest expense	(1,733)	(1,851)	(5,290)	(5,621)
Minority interest in earnings	-	13	-	(455)
	-----	-----	-----	-----
	(1,473)	(1,819)	(4,549)	(5,867)
	-----	-----	-----	-----
Earnings from continuing operations before income tax	1,734	1,852	5,477	4,362
Income tax expense	626	796	2,273	1,876
	-----	-----	-----	-----
Earnings from continuing operations	1,108	1,056	3,204	2,486
Earnings (loss) from discontinued operations, net of income tax benefit of \$3,277 for the nine months ended March 31, 1995 and expense of \$314 and \$1,120 for the three and nine months ended March 31, 1994, respectively	-	244	(8,723)	1,028
	-----	-----	-----	-----
Net earnings (loss)	\$ 1,108	\$ 1,300	\$ (5,519)	\$ 3,514
	=====	=====	=====	=====
Primary and fully diluted earnings (loss) per common share:				
Earnings from continuing operations	\$ 0.09	\$ 0.08	\$ 0.25	\$ 0.19
Net earnings (loss)	\$ 0.09	\$ 0.10	\$ (0.42)	\$ 0.27
	=====	=====	=====	=====
Weighted average common shares outstanding	12,904	13,105	13,062	13,061
	=====	=====	=====	=====
Dividends per common share	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.09
	=====	=====	=====	=====

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See Notes to Unaudited Consolidated and Combined Financial Statements.

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CRSS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>

<CAPTION>

(DOLLARS IN THOUSANDS)	Nine Months Ended March 31,	
	----- 1995 ----	1994 ----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Earnings from continuing operations	\$ 3,204	\$ 2,486
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Deferred income taxes	1,594	2,796
Depreciation and amortization	2,472	2,467
Equity income in partnerships	(14,272)	(10,802)
(Increase) decrease in receivables	1,637	(1,095)
Increase in other current assets	(886)	(628)
Decrease in accounts payable and other current liabilities	(3,600)	(1,544)
Distributions from partnerships	13,138	5,534
Payments (to) from discontinued operations	(22,217)	8,430
Other operating activities	68	(1,122)
	-----	-----

Net cash provided by (used in) operating activities	(18,862)	6,522
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in investments in affiliates	-	(30,000)
Payments from discontinued operations	-	572
Proceeds from sale of discontinued operations	42,983	-
	-----	-----
Net cash provided by (used in) investing activities	42,983	(29,428)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term obligations	(1,715)	(1,580)
Proceeds from short-term borrowings	-	9,200
Redemption of stock of subsidiary	-	(17,000)
Proceeds from exercise of stock options	933	668
Purchase of treasury shares	(2,885)	-
Contributions from minority interest	-	5,700
Dividends paid on common stock	(1,164)	(1,149)
	-----	-----
Net cash used in financing activities	(4,831)	(4,161)
	-----	-----
Net increase (decrease) in cash and cash equivalents	19,290	(27,067)
Cash and cash equivalents at beginning of period	2,229	28,220
	-----	-----
Cash and cash equivalents at end of period	\$21,519	\$ 1,153
	=====	=====

</TABLE>

See Notes to Unaudited Consolidated and Combined Financial Statements.

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EQUITY INVESTMENT PARTNERSHIPS OF CRSS INC.
COMBINED BALANCE SHEET

<TABLE>

<CAPTION>

(DOLLARS IN THOUSANDS)	March 31, 1995 ----	June 30, 1994 ----
	(unaudited)	
	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,247	\$ 51,304
Accounts receivable	17,874	18,272
Accounts receivable from affiliates	2,672	2,735
Prepaid expenses and other assets	2,191	2,874
	-----	-----
Total current assets	46,984	75,185
Restricted cash	59,102	47,392
Property, plant and equipment, net	481,781	488,525
Power purchase agreement, net	55,667	60,030
Other noncurrent assets	960	1,014
	-----	-----
	\$644,494	\$672,146
	=====	=====
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	\$ 622	\$ 72
Accounts and notes payable to affiliates	5,810	5,699
Current portion of long-term obligations	28,875	27,626
Operations and maintenance reserves	3,806	4,508
Other current liabilities	12,254	15,202
	-----	-----
Total current liabilities	51,367	53,107
Non-recourse project financing	427,938	460,989
Other long-term obligations	39,433	34,661

Partners' capital	125,756	123,389
	-----	-----
	\$644,494	\$672,146
	=====	=====
Supplemental information:		
Partners' capital	\$125,756	\$123,389
Attributable to other partners	(63,084)	(61,851)
	-----	-----
CRSS' equity investment in partnerships	\$ 62,672	\$ 61,538
	=====	=====

</TABLE>

See Notes to Unaudited Consolidated and Combined Financial Statements

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EQUITY INVESTMENT PARTNERSHIPS OF CRSS INC.
COMBINED STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)	Three Months Ended March 31,		Nine Months Ended March 31,	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Electricity and steam sales	\$46,006	\$46,140	\$135,296	\$134,865
Costs and expenses:				
Plant operations	24,660	26,755	70,417	74,201
General and administrative	1,009	1,394	3,719	4,302
	-----	-----	-----	-----
	25,669	28,149	74,136	78,503
Operating income	20,337	17,991	61,160	56,362
Interest expense	(10,628)	(11,505)	(32,434)	(34,640)
	-----	-----	-----	-----
Net earnings	\$ 9,709	\$ 6,486	\$ 28,726	\$ 21,722
	=====	=====	=====	=====
Supplemental information:				
Net earnings	\$ 9,709	\$ 6,486	\$28,726	\$21,722
Attributable to other partners	(4,892)	(3,270)	(14,454)	(10,920)
	-----	-----	-----	-----
CRSS' equity income in partnerships	\$ 4,817	\$ 3,216	\$ 14,272	\$ 10,802
	=====	=====	=====	=====

</TABLE>

See Notes to Unaudited Consolidated and Combined Financial Statements.

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EQUITY INVESTMENT PARTNERSHIPS OF CRSS INC.

COMBINED STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended March 31,	
(DOLLARS IN THOUSANDS)	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$28,726	\$ 21,722
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	22,158	20,954
Loss on replacement of equipment	130	189
Decrease in receivables	461	5,525
(Increase) decrease in prepaid expenses and other assets	682	(956)
Increase (decrease) in accounts payable and other current liabilities	(1,185)	(234)
Net cash provided by operating activities	50,972	47,200
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(11,126)	(18,184)
Increase in restricted cash	(11,710)	(12,253)
Net cash used in investing activities	(22,836)	(30,437)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on non-recourse project financing	(31,804)	(40,034)
Proceeds from non-recourse project financing	-	14,070
Increase in other long-term obligations	2,972	9,885
Contributions from partners	-	30,000
Distributions to partners	(26,361)	(11,107)
Net cash provided by (used in) financing activities	(55,193)	2,814
Net increase (decrease) in cash and cash equivalents	(27,057)	19,577
Cash and cash equivalents at beginning of period	51,304	11,144
Cash and cash equivalents at end of period	\$ 24,247	\$ 30,721

</TABLE>

See Notes to Unaudited Consolidated and Combined Financial Statements.

CRSS INC.
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of CRSS Inc. ("CRSS") and its wholly-owned subsidiary, CRSS Capital, Inc. ("CRSS Capital"), collectively referred to herein as the "Company".

The Combined Financial Statements include the accounts of the four less than majority-owned power and cogeneration limited partnerships in which CRSS Capital has equity interests ranging from 47.5 percent to 50 percent: Hopewell Cogeneration Limited Partnership ("Hopewell"), Naheola Cogeneration Limited

Partnership ("Naheola"), Appomattox Cogeneration Limited Partnership ("Appomattox"), and Westwood Energy Properties Limited Partnership ("Westwood"), collectively referred to herein as the "Partnerships".

In the opinion of management, the accompanying unaudited Consolidated and Combined Financial Statements contain all adjustments necessary to present fairly the respective financial positions of the Company and the Partnerships as of March 31, 1995, the results of operations for the three and nine months ended March 31, 1995 and 1994 and cash flows for the nine months ended March 31, 1995 and 1994. All adjustments are of a normal recurring nature. These unaudited Consolidated and Combined Financial Statements should be read in conjunction with the audited Consolidated and Combined Financial Statements included in the June 30, 1994 Annual Report to Shareholders. The results of operations for the three and nine months ended March 31, 1995 are not necessarily indicative of the results to be expected for the full fiscal year. Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current year presentation.

NOTE 2. DISCONTINUED OPERATIONS

As of June 30, 1994, the design, engineering and construction management segment was reflected as discontinued operations in conjunction with the Company's plan to dispose of this business.

On July 21, 1994, the Company sold CRSS Architects, Inc. to Hellmuth, Obata & Kassabaum, Inc. ("HOK"). Total consideration amounted to \$6.8 million, consisting of \$4.8 million in cash at closing and a \$2.0 million sharing of future net cash distributions from the Peace Shield project, of which \$0.6 million was received during the nine months ended March 31, 1995.

On July 29, 1994, the Company sold its engineering and construction management operations, consisting primarily of CRSS Constructors, Inc. and certain assets and liabilities of CRS Sistine Engineers, Inc. to Jacobs Engineering Group, Inc. ("Jacobs"). Total consideration paid by Jacobs through March 31, 1995 was \$37.8 million in cash, representing \$14.0 million over the aggregate book value of the business acquired. Subsequent to March 31, 1995, the Company received an additional \$0.4 million from Jacobs as a final purchase price adjustment.

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Net assets from discontinued operations at March 31, 1995 consists primarily of the assets and liabilities of the retained power plant contracts (primarily receivables and payables), cash of \$7.8 million held by CRSS's captive insurance company net of claims reserves of \$6.3 million, NaTec's investment in the White River Nahcolite Minerals joint venture, deferred taxes, legal claims reserves and accrued discontinuance costs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

GENERAL

Electricity sales, steam sales and plant operations expense included in the Company's Consolidated Statement of Operations consist of the revenues and costs associated with the three Viking cogeneration facilities. These projects are wholly-owned by CRSS Capital. Equity income in partnerships includes CRSS Capital's interest in cogeneration facilities that are less than majority-owned and are accounted for using the equity method. These partnerships include the Hopewell, Naheola, Westwood, and Appomattox facilities. Operations and administrative service fees arise from management services provided by CRSS Capital to each project in which it maintains an ownership interest. Costs associated with providing these services are included in general and administrative expense. In addition to the components discussed previously,

costs and expenses included general and administrative overhead costs as well as expenses related to the Company's project development efforts.

CONTINUING OPERATIONS

Consolidated earnings from continuing operations for the three months ended March 31, 1995 were \$1.1 million, or \$0.09 per share, compared to \$1.1 million, or \$0.08 per share, for the three months ended March 31, 1994. For the nine months ended March 31, 1995, consolidated earnings from continuing operations were \$3.2 million, or \$0.25 per share, compared to \$2.5 million, or \$0.19 per share for the nine months ended March 31, 1994.

Total revenues for the three months ended March 31, 1995 of \$7.3 million were relatively consistent with the corresponding period of the prior year. For the nine months ended March 31, 1995, total revenues were \$21.8 million compared to \$22.0 million for the nine months ended March 31, 1994. The decrease was primarily attributable to lower operations and maintenance services provided by the Company to the Hopewell project during the current year.

Plant operations costs of \$5.4 million for the three months ended March 31, 1995 were relatively consistent with prior year costs for the same period. Higher wood fuel prices during the first quarter of the year resulted in an increase in plant operations costs of \$0.8 million for the nine months ended March 31, 1995 as compared to the nine months ended March 31, 1994. The higher wood fuel prices were attributable to difficulties in procuring adequate wood supplies during the period.

General and administrative expenses for the quarter ended March 31, 1995 were \$2.0 million higher than the corresponding period of the prior year. The increase is due to the prior year amount including approximately \$0.7 million of reimbursements of prior expenses related to a developmental project, a \$0.7 million reduction to legal claims reserves due to favorable claims developments, and approximately \$0.5 million of collections of a receivable that had

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previously been written off. General and administrative expenses for the nine months ended March 31, 1995 of \$7.6 million, were \$2.8 million higher than the prior year amount of \$4.7 million. In addition to the items noted above, the prior amount also included expense reimbursements of \$1.6 million related to a developmental project received during the first quarter.

Marketing and project development costs for the three months ended March 31, 1995 were \$0.8 million compared to \$0.7 million for the three months ended March 31, 1994. For the nine months ended March 31, 1995, marketing and project development costs were \$1.8 million compared to \$2.0 million for the corresponding period of the prior year. The decreases in current year costs are primarily due to expense reimbursements received related to a current developmental project.

Non-operating income increased \$0.2 million and \$0.5 million for the three and nine months ended March 31, 1995, respectively, as compared to the corresponding periods of the prior year. The increases are due to higher cash balances available for investment in addition to higher rates of interest during the current year. Interest expense, which is primarily related to the long-term non-recourse debt used to finance the Viking cogeneration facilities, was \$0.1 million lower for the quarter ended March 31, 1995, and \$0.3 million lower for the nine months ended March 31, 1995 as compared to the prior year amounts. The decreases are due to reductions in the outstanding principal balances on the non-recourse debt.

Minority interest in earnings for the three and nine months ended March 31, 1994 represents the minority interest in CRSS Capital previously owned by Paribas North America, Inc. ("Paribas"). The Company (via redemption by CRSS Capital) repurchased all of the common stock of CRSS Capital owned by Paribas on January 31, 1994 resulting in CRSS Capital becoming wholly-owned by the Company.

EQUITY INCOME IN PARTNERSHIPS

Equity income in partnerships reflects CRSS Capital's 50 percent interest in the Hopewell, Naheola, and Appomattox power and cogeneration facilities and the 47.5 percent interest in the Westwood facility.

Equity income in partnerships increased from \$3.2 million for the three months ended March 31, 1994 to \$4.8 million for the three months ended March 31, 1995, an increase of \$1.6 million, or 50 percent. The increase is primarily due to improved operating results at all four projects. Equity income in partnerships for the nine months ended March 31, 1995 was \$14.3 million compared to \$10.8 million for the nine months ended March 31, 1994, representing an increase of \$3.5 million, or 32 percent. In addition to the items noted above, the increase for the nine months ended March 31, 1995 is primarily due to the Westwood project, which experienced an unscheduled outage during the first quarter of the prior fiscal year. Also contributing to the current year increase was a retroactive rate adjustment at the Appomattox facility during the second quarter.

DISCONTINUED OPERATIONS

Earnings from discontinued operations for the three and nine months ended March 31, 1994 reflect the operating results of the design, engineering and construction management segment which was classified as discontinued operations as of June 30, 1994, in conjunction with the Company's plan to dispose of this business. As further discussed below under "Liquidity and Capital Resources", the Company sold its primary subsidiaries related to this business segment during the first quarter of fiscal year 1995. As part of the sale transactions, CRSS retained certain assets and liabilities, the majority of which relate to four power plant engineering,

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procurement, and construction contracts which were substantially complete or in the later stages of completion. Additionally, the Company agreed to indemnify the purchasers against certain legal claims. During the three months ended September 30, 1994, the Company recorded an additional reserve of \$9.5 million for the discontinued design, engineering and construction management segment related to changes in the estimates to complete these power plant contracts and for additional legal claims reserves.

During the three months ended September 30, 1994, the Company also increased its provision for the estimated loss on disposal of its holdings in NaTec Resources, Inc. ("NaTec"), the discontinued acid rain/pollution control segment, by an additional \$2.5 million. See further discussion under "Liquidity and Capital Resources".

CONSOLIDATED RESULTS

Consolidated net earnings for the three months ended March 31, 1995, were \$1.1 million, or \$0.09 per share versus net earnings of \$1.3 million, or \$0.10 per share for the corresponding period of the prior year. For the nine months ended March 31, 1995, consolidated net loss was \$5.5 million, or \$0.42 per share versus net earnings of \$3.5 million, or \$0.27 per share for the nine months ended March 31, 1994.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at March 31, 1995, totalled \$30.4 million, which included \$21.5 million in cash and cash equivalents. As of June 30, 1994, working capital was \$37.5 million, which included cash and cash equivalents of \$2.2 million. The \$14.0 million increase in cash and cash equivalents for the period from June 30, 1994 to March 31, 1995 is primarily due to the sale of the discontinued design, engineering and construction management segment, as further discussed below, and distributions from the equity investment partnerships of \$13.1 million.

On July 21, 1994, the Company sold CRSS Architects, Inc. to Hellmuth, Obata & Kassabaum, Inc. ("HOK"). Total consideration amounted to \$6.8 million, consisting of \$4.8 million in cash at closing and a \$2.0 million sharing of future net cash distributions from the Peace Shield project, of which \$0.6 million was received during the nine months ended March 31, 1995.

On July 29, 1994, the Company sold its engineering and construction management operations, consisting primarily of CRSS Constructors, Inc. and certain assets and liabilities of CRS Serrine Engineers, Inc., to Jacobs Engineering Group, Inc. ("Jacobs"). Total consideration paid by Jacobs through March 31, 1995 was \$37.8 million in cash, representing \$14.0 million over the aggregate book value of the business acquired. Subsequent to March 31, 1995, the Company received an additional \$0.4 million from Jacobs as a final purchase price adjustment.

Cash payments related to the discontinued operations during the nine months ended March 31, 1995 of \$22.2 million consisted of working capital requirements of the businesses prior to the sale, severance and other employee related costs, legal fees and settlements, costs related to the retained power plant engineering, procurement, and construction contracts, and closing costs.

The Company maintains a letter of credit facility with two banks. The facility may be used to fund draws under existing outstanding letters of credit issued thereunder, which totalled \$9.0 million at March 31, 1995. The credit facility, which is available through July 1, 1995 is subject to certain restrictive covenants including, among others, liquidity ratio, tangible net worth, and limitations on capital investments.

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The Company's non-recourse project financing represents long-term non-recourse debt related to the Viking projects. The notes provide for interest payments at 11.15 percent per annum due in quarterly installments of principal and interest through the year 2009. The Company has entered into negotiations with the lenders for the restructuring of the debt.

At March 31, 1995 cash totalling \$0.6 million has been reserved for plant maintenance on the Viking projects in accordance with the terms of the non-recourse project financing. An additional \$0.7 million is reserved for debt service.

The Company has reached a settlement with James River Corporation regarding the call notice it received on its interest in the Naheola partnership. The project, which includes a chemical recovery boiler and cogeneration assets located at James River's Naheola Mill in Pennington, Alabama, has been in operation since March 1993. Under the terms of the settlement agreement, the Company will receive \$38.1 million, payable by May 19, 1995, in exchange for its partnership interest.

NaTec has reached an agreement in principle (the "Acquisition Agreement") to sell its interest in White River Nahcolite Minerals, Limited Liability Company ("White River") to North American Chemical Company. Under the terms of the Acquisition Agreement, which is subject to various conditions, including approval by the NaTec shareholders, NaTec will receive \$10.0 million, payable \$6.0 million at closing with the balance to be paid with a non-interest bearing note payable in quarterly installments according to a formula based on sales of White River's production of sodium bicarbonate, over a period of five years. The note is secured by the assets of White River. The Board of Directors of NaTec has also approved the liquidation of NaTec, subject to shareholder approval. Proceeds from the sale of NaTec's investment in White River will be used to satisfy the claims of CRSS and other creditors, and CRSS as the holder of NaTec's preferred stock. As of March 31, 1995, the Company has receivables from NaTec of approximately \$7.6 million consisting of notes, interest, and dividends receivable. Effective April 14, 1995, CRSS converted a portion of its NaTec Series A Cumulative Convertible Exchangeable Preferred Stock and all of its NaTec Series B and Series C Cumulative Convertible Exchangeable Preferred Stock into 1,402,749 shares of common stock. Upon this conversion, the Company owns 13,499,449 shares, or approximately 50.2 percent of the outstanding common shares of NaTec, and 44,380 shares, or 100 percent of the outstanding preferred shares of NaTec.

Management believes that existing cash, cash flow from operations and project distributions, and existing credit facilities will be sufficient to meet the ongoing requirements of the operations of the Company. In addition, the above sources can be supplemented with other external sources of funds to meet

additional cash requirements if necessary.

PART II. - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

- (a) Exhibits
 - 27.1 Financial data schedule.
- (b) Report on Form 8-K
 - None

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CRSS INC. AND SUBSIDIARIES

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.

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CRSS Inc.

(Registrant)

Date May 8, 1995

/s/ Bruce W. Wilkinson

Bruce W. Wilkinson
Chief Executive Officer and
Chairman of the Board

Date May 8, 1995

/s/ William J. Gardiner

William J. Gardiner
Senior Vice President/Chief
Financial Officer and
Treasurer (Principal
Financial and Accounting
Officer)

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EXHIBIT INDEX

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27.1 Financial Data Schedule

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