

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
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### FILER

#### **BUCYRUS INTERNATIONAL INC**

CIK: **740761** | IRS No.: **390188050** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-00871** | Film No.: **96663879**  
SIC: **3532** Mining machinery & equip (no oil & gas field mach & equip)

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

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

For Quarter Ended September 30, 1996

Commission File Number: 1-871

BUCYRUS INTERNATIONAL, INC.

DELAWARE 39-0188050

P. O. BOX 500  
1100 MILWAUKEE AVENUE  
SOUTH MILWAUKEE, WISCONSIN 53172

(414) 768-4000

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 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  No

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

Class	Outstanding November 1, 1996
Common Stock, par value \$.01 per share	10,234,574

BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES

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BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES  
ITEM 1 - FINANCIAL STATEMENTS  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Dollars In Thousands, Except Per Share Amounts)

<TABLE> <CAPTION>	September 30, 1996	December 31, 1995	September 30, 1996	December 31, 1995
<S>	<C>	<C>	<C>	<C>
ASSETS			LIABILITIES AND SHAREHOLDERS' INVESTMENT	
CURRENT ASSETS:			CURRENT LIABILITIES:	
Cash and cash equivalents	\$ 15,580	\$ 11,150	Accounts payable and accrued expenses	\$ 39,490
Receivables	35,733	35,603	Liabilities to customers on uncompleted contracts and warranties	4,769
Inventories	69,108	73,566	Income taxes	1,313
Prepaid expenses and other current assets	2,247	1,414	Short-term obligations	2,770
Total Current Assets	122,668	121,733	Current maturities of long-term debt	421
OTHER ASSETS:			Total Current Liabilities	48,763
Restricted funds on deposit	1,077	2,877	LONG-TERM LIABILITIES:	
Intangible assets - net	8,664	9,021	Deferred income taxes	192
Other assets	5,857	4,760	Liabilities to customers on uncompleted contracts and warranties	3,071
	15,598	16,658	Postretirement benefits	11,068
PROPERTY, PLANT AND EQUIPMENT:			Deferred expenses and other	11,551
Cost	42,265	39,387	LONG-TERM DEBT, less current maturities	62,614
Less accumulated depreciation	(6,552)	(3,740)	COMMON SHAREHOLDERS' INVESTMENT:	
	35,713	35,647	Common stock - par value \$ .01 per share, authorized 20,000,000 shares, issued and outstanding 10,234,574 shares	102
			Additional paid-in capital	\$ 57,742
			Unearned stock compensation	(3,090)
			Accumulated deficit	(16,919)
			Cumulative translation adjustment	(1,115)
				36,720
	\$173,979	\$174,038		\$173,979
				34,680
				\$174,038

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

BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES  
ITEM 1 - FINANCIAL STATEMENTS  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(Dollars In Thousands, Except Per Share Amounts)

<TABLE> <CAPTION>	Quarter Ended September 30, 1996	September 30, 1995	Nine Months Ended September 30, 1996	September 30, 1995
<S>	<C>	<C>	<C>	<C>
Revenues:				

Net sales	\$ 68,077	\$ 61,408	\$ 198,897	\$ 173,990
Other income	236	314	700	933
	<u>68,313</u>	<u>61,722</u>	<u>199,597</u>	<u>174,923</u>
Costs and Expenses:				
Cost of products sold	55,292	58,625	162,315	156,102
Product development, selling, administrative and miscellaneous expenses	9,224	9,761	27,078	26,188
Interest expense	1,756	1,558	5,929	4,574
Restructuring expenses	-	2,577	-	2,577
Reorganization items	-	446	-	919
	<u>66,272</u>	<u>72,967</u>	<u>195,322</u>	<u>190,360</u>
Earnings (loss) before income taxes	2,041	(11,245)	4,275	(15,437)
Income taxes	546	806	1,870	1,658
Net earnings (loss)	\$ 1,495	\$ (12,051)	\$ 2,405	\$ (17,095)
Weighted average number of common shares outstanding	10,234,574	10,234,574	10,234,574	10,192,978
Net earnings (loss) per share of common stock	\$ .14	\$ (1.18)	\$ .23	\$ (1.68)

<FN>

See notes to consolidated condensed financial statements.

</TABLE>

BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES  
ITEM 1 - FINANCIAL STATEMENTS  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Dollars In Thousands)

	Nine Months Ended September 30,	
	1996	1995
Cash Flows From Operating Activities		
Net earnings (loss)	\$ 2,405	\$ (17,095)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Inventory obsolescence adjustment	-	4,416
Depreciation	2,955	2,773
Amortization	863	896
Stock compensation	393	-
In kind interest on the Secured Notes due December 14, 1999	3,767	4,180
Loss (gain) on sale of property, plant and equipment	278	(26)
Changes in assets and liabilities:		
Receivables	(752)	(5,233)
Inventories	3,875	404
Other current assets	(835)	260
Other assets	(1,019)	(53)
Current liabilities other than income taxes, short-term obligations and current maturities of long-term debt	1,574	10,209
Income taxes	(2,098)	53
Long-term liabilities other than deferred income taxes	(2,420)	(731)
Net cash provided by operating activities	<u>8,986</u>	<u>53</u>
Cash Flows From Investing Activities		
Decrease in restricted funds on deposit	1,800	798
Purchases of property, plant and equipment	(3,715)	(2,205)
Proceeds from sale of property, plant and equipment	806	76

Net cash used in investing activities	(1,109)	(1,331)
<hr/>		
Cash Flows From Financing Activities		
Proceeds from issuance of project financing obligations	5,402	3,581
Reduction of project financing obligations	(8,104)	(6,861)
Net (decrease) increase in other bank borrowings	(1,337)	149
Proceeds from issuance of long-term debt	849	-
Net cash used in financing activities	(3,190)	(3,131)
<hr/>		
Effect of exchange rate changes on cash	(257)	16
<hr/>		

BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES  
 ITEM 1 - FINANCIAL STATEMENTS  
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)  
 (Dollars In Thousands)

	Nine Months Ended September 30, 1996	September 30, 1995
Net increase (decrease) in cash and cash equivalents	4,430	(4,393)
Cash and cash equivalents at beginning of period	11,150	16,209
Cash and cash equivalents at end of period	\$ 15,580	\$ 11,816

Supplemental Disclosures of Cash Flow Information

	1996	1995
Cash paid during the period for:		
Interest	\$ 417	\$ 171
Income taxes - net of refunds	3,162	1,079

See notes to consolidated condensed financial statements.

BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES  
 ITEM 1 - FINANCIAL STATEMENTS  
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

- In the opinion of Bucyrus International, Inc. (the "Company"), the consolidated condensed financial statements contain all adjustments (consisting of normal recurring accruals and other adjustments as stated in Notes 4 and 5) necessary to present fairly the financial results for the interim periods. Certain items are included in these statements based on estimates for the entire year. Certain reclassifications have

been made to the 1995 consolidated condensed financial statements to present them on a basis consistent with the current year.

- Certain notes and other information have been condensed or omitted from these interim consolidated condensed financial statements. Therefore, these statements should be read in conjunction with the Company's 1995 annual report on Form 10-K filed with the Securities and Exchange Commission on April 1, 1996.

- Inventories consist of the following:

	September 30, 1996	December 31, 1995
	(Dollars in Thousands)	
Raw materials and parts	\$ 12,060	\$ 12,138
Costs relating to uncompleted contracts	8,753	5,861
Customers' advances offset against costs incurred on uncompleted contracts	(4,288)	(2,440)
Work in process	9,555	13,511
Finished products (primarily replacement parts)	43,028	44,496
	\$ 69,108	\$ 73,566

During the third quarter of 1995, the Company completed an evaluation of its inventory and recorded a charge of \$4,416,000 to cost of products sold for the scrapping and disposal of excess inventory which related to certain older and discontinued machine models.

- Restructuring expenses included in the Consolidated Condensed Statements of Operations for the quarter and nine months ended September 30, 1995 consist of employee severance expenses recorded to reflect the cost of reduced employment and the severance costs related to the resignation of three officers of the Company.
- Reorganization items included in the Consolidated Condensed Statements of Operations for the nine months ended September 30, 1995 consist of additional legal and professional fees incurred in connection with the bankruptcy proceedings in 1994.
- Net earnings (loss) per share of common stock is based on the weighted average number of common shares outstanding during the period. Common stock equivalents are not significant.
- Jackson National Life Insurance Company ("JNL"), currently the holder of approximately 41.31% of Common Stock, has filed a claim (the "JNL 503(b) Claim") against the Company for reimbursement of approximately \$3,300,000 for professional fees and disbursements incurred in connection with the Company's chapter 11 proceedings pursuant to Section 503(b) of the Bankruptcy Code. Pursuant to a settlement agreement dated May 23, 1995, JNL agreed that, in the event that the JNL 503(b) Claim is allowed in whole or in part by the Bankruptcy Court, in lieu of requiring payment of any award in cash, JNL will accept payment in Common Stock at a price equal to \$5.6375 per share (the average closing price of such stock on the NASDAQ Stock Market on June 20, 21, 22, 23 and 26, 1995). By order dated June 3, 1996, the Bankruptcy Court ruled that JNL would be awarded the sum of \$500. JNL has appealed the decision. The Company has been advised by its reorganization counsel that in said counsel's opinion the JNL 503(b) Claim is without merit; however, the ultimate outcome of this matter cannot presently be determined. Accordingly, no provision for any loss that may result upon resolution of this matter has been made in the Consolidated Condensed Financial Statements.

Concurrently with the trial of the JNL 503(b) Claim, the Bankruptcy Court considered the final fee application of the law firm of Milbank, Tweed, Hadley & McCloy ("Milbank"), who rendered services as reorganization counsel for the Company in connection with the chapter 11 proceedings. The Milbank claim was approximately \$2,330,000, of which 80% had previously been paid by the Company on an interim basis. By order dated June 3, 1996, the Bankruptcy Court ruled that Milbank would receive 80% of the claimed amount as full and final compensation, thereby resulting in no further payments being due and owing to Milbank on the claim. JNL appealed the decision of the Bankruptcy Court not to order disgorgement of amounts already paid to Milbank. Milbank has not appealed the decision.

BUCYRUS INTERNATIONAL, INC. AND SUBSIDIARIES  
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information is provided to assist in the understanding of Bucyrus International, Inc.'s (the "Company") operations for the quarters and nine months ended September 30, 1996 and 1995.

The reorganization of the Company under chapter 11 of the Bankruptcy Code was effective December 14, 1994 (the "Effective Date"). The reorganization was accounted for using the principles of fresh start reporting, as required by AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code". Under the principles of fresh start reporting, total assets were recorded at their assumed reorganization value, with the reorganization value allocated to identifiable tangible and intangible assets on the basis of their estimated fair value, and liabilities were adjusted to the present values of amounts to be paid where appropriate. The consolidated condensed financial statements include the related amortization charges associated with the fair value adjustments.

#### Net Sales

Net sales for the quarter and nine months ended September 30, 1996 were \$68,077,000 and \$198,897,000, respectively, compared with \$61,408,000 and \$173,990,000 for the quarter and nine months ended September 30, 1995, respectively. Sales of repair parts and services for the quarter and nine months ended September 30, 1996 were \$39,166,000 and \$120,963,000, respectively, which is a decrease of .2% and an increase of 3.3% from the quarter and nine months ended September 30, 1995, respectively. The increase in repair parts and service sales for the nine months ended September 30, 1996 was primarily due to increased sales at Minserco, Inc., a mining service subsidiary of the Company. Machine sales for the quarter and nine months ended September 30, 1996 were \$28,911,000 and \$77,934,000, respectively, which is an increase of 30.4% and 37.1% from the quarter and nine months ended September 30, 1995, respectively. The increases in machine sales were primarily due to increased electric mining shovel sales, primarily in copper markets.

#### Cost of Products Sold

Cost of products sold for the quarter ended September 30, 1996 was \$55,292,000 or 81.2% of net sales compared with \$58,625,000 or 95.5% of net sales for the quarter ended September 30, 1995. For the nine months ended September 30, 1996, cost of products sold was \$162,315,000 or 81.6% of net sales compared with \$156,102,000 or 89.7% of net sales for the nine months ended September 30, 1995. Included in cost of products sold for the quarter and nine months ended September 30, 1995 was \$2,813,000 and \$8,530,000, respectively, as a result of the fair value adjustment to inventory. This adjustment was made in accordance with the principles of fresh start reporting adopted in 1994 and was charged to cost of products sold as the inventory was sold. Also included in cost of products sold for the quarter and nine months ended September 30, 1995 was a charge of \$4,416,000 for the scrapping and disposal of excess inventory which related to certain older and discontinued machine models. Excluding the effects of the inventory fair value adjustment and excess inventory charge, cost of products sold as a percentage of net sales for the quarter and nine months ended September 30, 1995 was 83.7% and 82.3%, respectively. The increases in gross margin percentages for the quarter and nine months ended September 30, 1996, not including the fair value and excess inventory adjustments, were primarily due to improved margins on machine sales.

#### Product Development, Selling, Administrative and Miscellaneous Expenses

Product development, selling, administrative and miscellaneous expenses for the quarter ended September 30, 1996 were \$9,224,000 or 13.5% of net sales compared with \$9,761,000 or 15.9% of net sales for the quarter ended September 30, 1995. The amounts for the nine months ended September 30, 1996 and 1995 were \$27,078,000 or 13.6% of net sales and \$26,188,000 or 15.1% of net sales, respectively. The dollar increase for the nine months ended September 30, 1996 was primarily due to higher product development and service costs to provide increased support to customers.

#### Interest Expense

Interest expense for the quarter and nine months ended September 30, 1996 was \$1,756,000 and \$5,929,000, respectively, compared with \$1,558,000 and \$4,574,000 for the quarter and nine months ended September 30, 1995, respectively. The increase for the nine months ended September 30, 1996 was primarily due to an increase in the interest rate on the Secured Notes due December 14, 1999 ("Secured Notes") from 10.5% to 13% effective December 14,

1995 for interest paid in kind by adding the interest to the principal balance. Also, interest on the Secured Notes was accrued on a higher principal balance in 1996 since all interest paid to date has been paid in kind. The Company has the option of paying interest on the Secured Notes in cash at 10.5% or in kind at 13%. For the six months ended June 30, 1996, interest was accrued at 13% since the Company paid this interest in kind. For the quarter ended September 30, 1996, interest was accrued at 10.5% since the Company currently intends to pay this interest in cash.

#### Income Taxes

Income tax expense consists primarily of foreign taxes at applicable statutory rates.

#### Net Earnings (Loss)

Net earnings for the quarter and nine months ended September 30, 1996 were \$1,495,000 and \$2,405,000, respectively, compared with a net loss of \$12,051,000 and \$17,095,000 for the quarter and nine months ended September 30, 1995, respectively. During the third quarter of 1995, the Company undertook a restructuring of its corporate headquarters and foreign subsidiaries and completed an evaluation of its inventories and other items. The Company, in evaluating its inventory, determined that excess levels existed for certain older and discontinued machine models. Accordingly, a charge of \$4,416,000 was made in the quarter ended September 30, 1995 for the eventual scrapping and disposal of this inventory. Severance costs of \$2,577,000 were also recorded to reflect the cost of reduced employment at the corporate headquarters and foreign subsidiaries, and the resignation of three former officers. In addition, a \$1,018,000 charge resulting from the reestimation of certain customer warranty reserves was recorded and charges of \$446,000 and \$919,000 for the quarter and nine months ended September 30, 1995, respectively, were made for reorganization items related to issues continuing from the bankruptcy proceedings. Net loss for the quarter and nine months ended September 30, 1995 also included \$2,431,000 and \$7,309,000 (net of income taxes), respectively, of the inventory fair value adjustment related to fresh start reporting.

#### Backlog and New Orders

The Company's consolidated backlog on September 30, 1996 was \$173,243,000 compared with \$118,024,000 at December 31, 1995 and \$90,879,000 at September 30, 1995. Machine backlog at September 30, 1996 was \$78,547,000, which is an increase of 19.4% from December 31, 1995 and an increase of 152.5% from September 30, 1995. The increase in machine backlog from December 31, 1995 was primarily in blast hole drill volume. The increase in machine backlog from September 30, 1995 was in both electric mining shovel and blast hole drill volume. Repair parts and service backlog at September 30, 1996 was \$94,696,000, which is an increase of 81.4% from December 31, 1995 and an increase of 58.4% from September 30, 1995. The increases in repair parts and service backlog were primarily at foreign locations and reflect new orders related to long-term maintenance and repair contracts which will be completed in the next three to five years.

New orders for the quarter and nine months ended September 30, 1996 were \$57,203,000 and \$254,116,000, respectively, which is a decrease of 29.1% and an increase of 32.0% from the quarter and nine months ended September 30, 1995, respectively. New machine orders for the quarter and nine months ended September 30, 1996 were \$14,499,000 and \$90,671,000, respectively, which is a decrease of 59.8% and an increase of 45.6% from the quarter and nine months ended September 30, 1995, respectively. The decrease in new machine orders for the quarter ended September 30, 1996 was due to the timing of new machine orders. The increase in new machine orders for the nine months ended September 30, 1996 was in both electric mining shovel and blast hole drill volume and represented strong machine sales activity during the first half of 1996, primarily related to copper markets. Blast hole drill and electric mining shovel inquiries from South America and China remain steady. New repair parts and service orders for the quarter and nine months ended September 30, 1996 were \$42,704,000 and \$163,445,000, respectively, which is a decrease of 4.3% and an increase of 25.5% from the quarter and nine months ended September 30, 1995, respectively. The increase in repair parts and service orders for the nine months ended September 30, 1996 was primarily due to large maintenance and repair contract orders at foreign locations in the first quarter of 1996.

#### Capitalization

The long-term debt to equity ratio as of September 30, 1996 and December 31, 1995 was 1.7 to 1.

#### Liquidity and Capital Resources



Working capital and current ratio are two financial measurements which provide an indication of the Company's ability to meet its short-term obligations. These measurements at September 30, 1996 and December 31, 1995 were as follows:

	September 30, 1996	December 31, 1995
	(Dollars in Thousands)	
Working capital	\$ 73,905	\$ 65,330
Current ratio	2.5 to 1	2.2 to 1

The table below summarizes the Company's cash position at September 30, 1996:

Location	Restricted Cash	Unrestricted Cash	Total
	(Dollars in Thousands)		
United States	\$ -	\$ 8,728	\$ 8,728
Foreign Subsidiaries	21	6,273	6,294
Equipment Assurance Limited	1,056	579	1,635
	\$ 1,077	\$ 15,580	\$ 16,657

A portion of the unrestricted cash at the foreign subsidiaries is not readily repatriatable because it is required for working capital purposes at these respective locations.

Equipment Assurance Limited has pledged \$1,056,000 of its cash to secure its reimbursement obligations for outstanding letters of credit at September 30, 1996. This collateral amount is classified as Restricted Funds on Deposit in the Consolidated Condensed Balance Sheets.

The following table reconciles Earnings (Loss) Before Income Taxes to earnings before interest, income taxes, depreciation, amortization, loss (gain) on sale of fixed assets, restructuring expenses, reorganization items and inventory fair value adjustment charged to cost of products sold ("Adjusted EBITDA"):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	(Dollars in Thousands)			
Earnings (loss)				
before income taxes	\$ 2,041	\$ (11,245)	\$ 4,275	\$ (15,437)
Restructuring expenses	-	2,577	-	2,577
Reorganization items	-	446	-	919
Inventory fair value adjustment charged to cost of products sold	-	2,813	-	8,530
Non-cash expenses:				
Depreciation	975	953	2,955	2,773
Amortization	279	299	863	896
Loss (gain) on sale of fixed assets	32	2	278	(26)
In kind interest on the Secured Notes	-	1,445	3,767	4,180
Cash interest expense	1,756	113	2,162	394
Adjusted EBITDA(1) (2)	\$ 5,083	\$ (2,597)	\$ 14,300	\$ 4,806

(1) Adjusted EBITDA for the quarter and nine months ended September 30, 1995 is reduced by a charge of \$4,416,000 to cost of products sold for the scrapping and disposal of excess inventory which related to certain older and discontinued machine models.

(2) The Company is presenting a calculation of Adjusted EBITDA to highlight the effects that fresh start accounting, restructuring expenses and reorganization items have on reported net earnings. Since cash flow from operations is very important to the Company's future, the Adjusted EBITDA calculation provides a summary review of cash flow performance. In addition, the Company is required to maintain certain minimum Adjusted EBITDA levels under its bank credit agreement (see below). The Adjusted EBITDA calculation is not an alternative to operating income under generally accepted accounting principles as an indicator of operating performance or to cash flows as a measure of liquidity.

The Company has a Credit Agreement (the "Credit Agreement") with Bank One, Milwaukee, National Association ("Bank One"). The Credit Agreement, as amended, contains a credit facility for working capital and general corporate purposes (the "Loan Facility"), a letter of credit facility (the "L/C Facility") and a project financing loan facility (the "Project Financing Facility"). Under the Loan Facility, the Company may borrow up to \$2,500,000, provided that it meets certain earnings before interest, taxes, depreciation and amortization tests, as defined. Borrowings under the Loan Facility mature on April 30, 1998. Under the L/C Facility, Bank One has agreed to issue letters of credit through April 30, 1998 in an aggregate amount not in excess of \$15,000,000 minus the then outstanding aggregate borrowings by the Company under the Loan Facility, provided that no letter of credit may expire after April 30, 1999. Under the Project Financing Facility, Bank One may make project financing loans to the Company from time to time. Borrowings under the Project Financing Facility bear interest at the Company's option either at a rate equal to Bank One's reference rate or an adjusted LIBOR rate plus a variable margin. Borrowings under the Credit Agreement are secured by a security interest on substantially all of the Company's property (other than real estate). At September 30, 1996, the Company had \$340,000 of borrowings outstanding under the Loan Facility and \$13,006,000 of the L/C Facility was being used.

Under the Project Financing Facility, the Company has a line of credit for \$14,000,000 to support one current order. Bank One has participated a portion of the Project Financing Facility to The Bank of Nova Scotia. Availability is based on the amount of inventory being financed and any accounts receivable relating to such project. Availability at September 30, 1996 is \$8,320,000. There were no borrowings under the Project Financing Facility at September 30, 1996.

The agreements relating to the Secured Notes and the Credit Agreement permit additional project financing from other lenders to manufacture mining machinery or other products pursuant to binding purchase contracts. Project financing borrowings are secured by the inventory being financed and any accounts receivable relating to such project. Project financing borrowings mature not later than the date of the final payment by the customer under the applicable purchase contract. At September 30, 1996, the Company had \$2,431,000 of outstanding project financing borrowings not related to the Project Financing Facility. These borrowings are classified as Short-Term Obligations in the Consolidated Condensed Balance Sheets.

At September 30, 1996, the Company had approximately \$3,671,000 of open capital appropriations. Included in open capital appropriations is \$1,970,000 for a new service shop facility in Chile which will be financed primarily with a local bank in Chile and \$920,000 for land and a new facility in South Africa which will be financed primarily with a local bank in South Africa. In addition, the Company commenced the \$2,200,000 first phase of a potential \$14,000,000 machine shop tool modernization project. The first phase equipment, together with \$2,800,000 of machine tools previously ordered, will be financed or leased.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

Jackson National Life Insurance Company ("JNL"), currently the holder of approximately 41.31% of the Company's common stock ("Common Stock"), has filed a claim (the "JNL 503(b) Claim") against the Company for reimbursement of approximately \$3,300,000 for professional fees and disbursements incurred in connection with the Company's chapter 11 proceedings pursuant to Section 503(b) of the Bankruptcy Code. Pursuant to a settlement agreement dated May 23, 1995, JNL agreed that, in the event that the JNL 503(b) Claim is allowed in whole or in part by the Bankruptcy Court, in lieu of requiring payment of any award in cash, JNL will accept payment in Common Stock at a price equal to \$5.6375 per share (the average closing price of such stock on the NASDAQ Stock Market on June 20, 21, 22, 23 and 26, 1995). By order dated June 3, 1996, the Bankruptcy Court ruled that JNL would be awarded the sum of \$500. JNL has appealed the decision. The Company has been advised by its reorganization counsel that in said counsel's opinion the JNL 503(b) Claim is without merit; however, the ultimate outcome of this matter cannot presently be determined. Accordingly, no provision for any loss that may result upon resolution of this matter has been made in the Consolidated Condensed Financial Statements.

Concurrently with the trial of the JNL 503(b) Claim, the Bankruptcy Court considered the final fee application of the law firm of Milbank, Tweed, Hadley & McCloy ("Milbank"), who rendered services as reorganization counsel for the Company in connection with the chapter 11 proceedings. The Milbank claim was approximately \$2,330,000, of which 80% had previously been paid by the Company on an interim basis. By order dated June 3, 1996, the Bankruptcy Court ruled that Milbank would receive 80% of the claimed amount as full and final compensation, thereby resulting in no further payments being due and owing to Milbank on the claim. JNL appealed the decision of the Bankruptcy Court not to order disgorgement of amounts already paid to Milbank. Milbank has not appealed the decision.

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

(a) Exhibits:

See Exhibit Index on last page of this report, which is incorporated herein by reference.

(b) Report on Form 8-K:

No reports on Form 8-K were filed during the third quarter.

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.

BUCYRUS INTERNATIONAL, INC.  
(Registrant)

Date November 14, 1996 /s/Craig R. Mackus  
Craig R. Mackus  
Secretary and Controller  
Principal Accounting Officer

Date November 14, 1996 /s/Willard R. Hildebrand  
Willard R. Hildebrand  
President and CEO

BUCYRUS INTERNATIONAL, INC.  
EXHIBIT INDEX  
TO  
QUARTERLY REPORT ON FORM 10-Q  
FOR QUARTER ENDED SEPTEMBER 30, 1996

Exhibit Number	Description	Incorporated Herein By Reference	Filed Herewith	Sequential Page Number
27	Financial Data Schedule (EDGAR filing only.)		X	
99	Press Release dated November 12, 1996.		X	

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PRESS RELEASE

BUCYRUS INTERNATIONAL, INC.  
(NASDAQ: BCYR)  
FOR IMMEDIATE RELEASE

South Milwaukee, Wisconsin, November 12, 1996... Bucyrus International, Inc. is pleased to announce the appointment of Daniel J. Smoke as Vice President and Chief Financial Officer.

Mr. Smoke who has his B.A. degree in Business Administration from Washington State University and an M.S. degree in Accounting from California State University has extensive manufacturing experience and has held similar positions with The Folger Adam Company and Eagle Industries, Inc. Mr. Smoke's early career included a variety of financial and operating positions with Ford Motor Company, White Motor Corporation and General Battery Corporation.

Bucyrus International, Inc. is a leading manufacturer of surface mining equipment.

Contact: Craig R. Mackus, Secretary and Controller, 414-768-4267.