UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1996

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: 1-4219

ZAPATA CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

STATE OF DELAWARE (State or other jurisdiction of incorporation or organization)	C-74-1339132 (I.R.S. Employer Identification No.)
1717 ST. JAMES PLACE, SUITE 550 HOUSTON, TEXAS (Address of principal executive offices)	77056 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 940-6100

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $0.25 par value	New York Stock Exchange
10 1/4% Subordinated Debentures due 1997	New York Stock Exchange
10 7/8% Subordinated Debentures due 2001	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
$2 Noncumulative Convertible Preference Stock, $1 par value.

On December 26, 1996, there were outstanding 29,548,707 shares of the Company's Common Stock, $0.25 par value. The aggregate market value of the Company's voting stock held by nonaffiliates of the Company is $66,781,269, based on the closing price in consolidated trading on December 26, 1996, for the Company's Common Stock and the value of the number of shares of Common Stock into which the Company's $2 Noncumulative Convertible Preference Stock was convertible on such date.

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

Documents incorporated by reference: None.

Zapata Corporation hereby amends Item 14 of its annual report on Form 10-K for the fiscal year ended September 30, 1996. Item 14, as so amended, is as follows. The financial statements of Envirodyne Industries, Inc. and subsidiaries, as referenced in Item 14, are also filed herewith.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(A) LIST OF DOCUMENTS FILED.

All schedules, except those listed above, have been omitted since the information required to be submitted has been included in the financial statements or notes or has been omitted as not applicable or not required. Page numbers that are referenced above, except for the "F" pages, refer to the page numbers contained in the Company's Form 10-K for the fiscal year ended September 30, 1996.

(3) Exhibits

The exhibits indicated by an asterisk (*) are incorporated by reference.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
3(a)*	-- Restated Certificate of Incorporation of Zapata filed with Secretary of State of Delaware May 3, 1994 (Exhibit 3(a) to Current Report on Form 8-K dated April 27, 1994 (File No. 1-4219)).
3(b)*	-- Certificate of Designation, Preferences and Rights of $1 Preference Stock (Exhibit 3(c) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1993 (File No. 1-4219)).
3(c)*	-- Certificate of Designation, Preferences and Rights of $100 Preference Stock (Exhibit 3(d) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1993 (File No. 1-4219)).
3(d)*++	-- By-laws of Zapata, as amended effective November 11, 1996.

Certain instruments respecting long-term debt of Zapata and its subsidiaries have been omitted pursuant to Regulation S-K, Item 601. Zapata hereby agrees to furnish a copy of any such instrument to the Commission upon request.

10(a)*+	-- Zapata 1990 Stock Option Plan (Exhibit 10(b) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1990 (File No. 1-4219)).
10(b)*+	-- First Amendment to Zapata 1990 Stock Option Plan (Exhibit 10(c) to Zapata's Registration Statement on Form S-1 (Registration No. 33-40286)).
10(c)*+	-- Zapata Special Incentive Plan, as amended and restated effective February 6, 1992 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
10(d)*+	-- Zapata 1981 Stock Incentive Plan, as amended and restated effective February 12, 1986 (Exhibit 19(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1986 (File No. 1-4219)).
10(e)*+	-- Zapata Supplemental Pension Plan effective as of April 1, 1992 (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
10(f)*+	-- Zapata Annual Incentive Plan effective January 1, 1991 (Exhibit 10(h) to Zapata's Registration Statement on Form S-1 (Registration No. 33-40286)).
10(g)*+	-- Cimarron Gas Companies, Inc. Incentive Appreciation Plan, effective as of September 30, 1992 (Exhibit 2(c) to Zapata's Current Report on Form 8-K dated November 24, 1992 (File No. 1-4219)).
10(h)*+	-- Noncompetition Agreement dated as of November 9, 1993 by and among Zapata and Peter M. Holt and Benjamin D. Holt, Jr. (Exhibit 10(q) to Zapata's Annual Report on form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
10(i)*+	-- Termination Agreement between Cimarron Gas Companies, Inc. and James C. Jewett dated as of January 24, 1994 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1993 (File No. 1-4219)).
10(j)*+	-- Consulting Agreement dated as of July 1, 1994 between Zapata Corporation and Thomas H. Bowersox (Exhibit 10(w) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
10(k)*+	-- Consulting Agreement between Ronald C. Lassiter and Zapata dated as of July 15, 1994 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1994 (File No. 1-4219)).

10(l)*+	--	Employment Agreement between Lamar C. McIntyre and Zapata dated as of October 1, 1994 (Exhibit 10(v) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
10(m)*+	--	Purchase Agreement dated as of April 10, 1995 by and between Norex America, Inc. and Zapata relating to 2,250,000 shares of Zapata Common Stock (Exhibit 10(c) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1995 (File No. 1-4219)).
10(n)*+	--	Assignment and Assumption of Consulting Agreement effective as of July 1, 1995 by and between Zapata and Zapata Protein, Inc. (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1995 (File No. 1-4219)).
10(o)*	--	Stock Purchase Agreement dated as of August 7, 1995 between Zapata Corporation and Malcolm I. Glazer (Exhibit 10(o) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-4219)).
10(p)*+	--	Mutual Release Agreement dated as of December 1, 1995 by and among Zapata Corporation, Cimarron Gas Holding Company, Robert W. Jackson and the Robert W. Jackson Trust.
10(q)*	--	Purchase and Sale Agreement dated March 26, 1996 by and among Cimarron Gas Holding Company, Conoco Inc. and Enogex Products Corporation (Exhibit 2.1 to Zapata's Current Report on Form 8-K dated April 9, 1996 (File No. 1-4219)).
10(r)*	--	Amendment and Clarification of Purchase and Sale Agreement, Waiver and Closing Agreement dated April 9, 1996 (Exhibit 2.2 to Zapata's Current Report on Form 8-K dated April 9, 1996 (File No. 1-4219)).
10(s)*	--	Agreement and Plan of Merger dated as of June 4, 1996 among Zapata, Zapata Acquisition Corp. and Houlihan's (Exhibit 2.1 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(t)*	--	Standstill Agreement dated April 30, 1996 between Zapata and Malcolm I. Glazer (Exhibit 10.18 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(u)*	--	Irrevocable proxy dated June 4, 1996 granted by Malcolm I. Glazer to members of a Special Committee of the Board of Directors of Zapata (Exhibit 10.19 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(v)*	--	Supplemental Agreement dated June 4, 1996 between Malcolm I. Glazer and Zapata (Exhibit 10.20 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(w)*	--	1996 Long-Term Incentive Plan of Zapata (Exhibit 10.21 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(x)*+	--	Employment Agreement between Joseph L. von Rosenberg III and Zapata effective as of June 1, 1996.
10(y)	--	Indemnification Agreement between Zapata and certain directors and officers accompanied by Schedule pursuant to Rule 12b-31.
21*++	--	Subsidiaries of the Registrant.
23(a)*++	--	Consent of Huddleston & Co., Inc.
23(b)*++	--	Consent of Coopers & Lybrand L.L.P.
23(c)	--	Consent of Coopers & Lybrand L.L.P. with respect to the consolidated financial statements of Envirodyne Industries, Inc.
24*++	--	Powers of attorney.
27*++	--	Financial Data Schedule.

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\+ Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to the requirements of Item 14(c) of Form 10-K.

++ Exhibits filed with the Company's Form 10-K for fiscal year ended September 30, 1996.

(b) REPORTS ON FORM 8-K.

Current Report on Form 8-K dated September 8, 1996 announcing (1) that W. George Loar, a director of the Company, died on September 8, 1996; and (2) that on September 24, 1996, the Delaware Court of Chancery issued an opinion, in connection with a lawsuit brought by a stockholder, holding that Zapata's proposed acquisition of Houlihan's Restaurant Group, Inc. was subject to a supermajority voting requirement in Zapata's certificate of incorporation.

(c) FINANCIAL STATEMENT SCHEDULES.

Filed herewith as financial statement schedules are (i) Schedule I supporting Zapata's consolidated financial statements listed under paragraph (a) of this Item and the Independent Accountants' Report with respect thereto, and (ii) separate financial statements of Envirodyne Industries, Inc. and the report of Independent Accounts with respect thereto.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

ZAPATA CORPORATION

By: /s/ Joseph L. von Rosenberg III

Joseph L. von Rosenberg III
Executive Vice President, General Counsel and Corporate Secretary

April 17, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Envirodyne Industries, Inc.

We have audited the consolidated financial statements and the financial statement schedules of Envirodyne Industries, Inc. and Subsidiaries listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Envirodyne Industries, Inc. and Subsidiaries as of December 26, 1996 and December 28, 1995, and the consolidated results of their operations and their cash flows for the period December 29, 1995 to December 26, 1996, December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion the schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

Chicago, Illinois
March 20, 1997

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 26, 1996	December 28, 1995
	(in thousands)	
ASSETS		
Current assets:		
Cash and equivalents	$ 41,794	$ 30,325
Receivables, net	79,174	89,454
Inventories	95,012	99,474
Other current assets	22,141	21,646
Total current assets	238,121	240,899
Property, plant and equipment, including those under capital leases	578,704	545,491
Less accumulated depreciation and amortization	116,896	75,987
Property, plant and equipment, net	461,808	469,504
Deferred financing costs	5,902	8,090
Other assets	42,809	45,589
Excess reorganization value	125,107	135,485
	$873,747	$899,567
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt and obligations under capital leases	$ 11,291	$ 12,504
Accounts payable	37,015	39,117
Accrued liabilities	82,109	67,553
Total current liabilities	130,415	119,174
Long-term debt including obligations under capital leases	521,179	530,181
Accrued employee benefits	53,697	55,626
Deferred and noncurrent income taxes	64,811	77,490
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; none outstanding		
Common stock, $.01 par value; 14,545,107 shares issued and outstanding at December 26, 1996 and 13,579,460 shares at December 28, 1995	145	136
Paid in capital	135,100	134,864
Accumulated (deficit)	(38,813)	(25,131)
Cumulative foreign currency translation adjustments	7,305	7,227
Unearned restricted stock issued for future service	(92)	
Total stockholders' equity	103,645	117,096
	$873,747	$899,567

The accompanying notes are an integral part of the consolidated financial statements.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	52 weeks December 29, 1995 to December 26, 1996	52 weeks December 30, 1994, to December 28, 1995	52 weeks January 1, to December 29, 1994
	(in thousands, except for number of shares and per share amounts)		
NET SALES	$651,356	$650,212	$599,029
Patent infringement settlement income			9,457
COSTS AND EXPENSES			
Cost of sales	488,244	485,048	435,760
Selling, general and administrative	107,088	111,230	108,437
Amortization of intangibles and excess reorganization value	16,334	15,799	15,612
OPERATING INCOME	39,690	38,135	48,677
Interest income	1,568	670	307
Interest expense	58,565	57,336	49,514
Other expense (income), net	3,075	1,710	(1,668)
Minority interest in loss of subsidiary			50
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(20,382)	(20,241)	1,188
Income tax provision (benefit)	(6,700)	(2,918)	4,800
(LOSS) BEFORE EXTRAORDINARY ITEM	(13,682)	(17,323)	(3,612)
Extraordinary (loss), net of tax		(4,196)	
NET (LOSS)	$(13,682)	$(21,519)	$ (3,612)
WEIGHTED AVERAGE COMMON SHARES	14,325,595	13,516,771	13,500,703
PER SHARE AMOUNTS:			
(LOSS) BEFORE EXTRAORDINARY ITEM	$(.96)	$(1.28)	$(.27)
NET (LOSS)	$(.96)	$(1.59)	$(.27)

The accompanying notes are an integral part of the consolidated financial statements.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock	Paid in Capital	Accumulated (Deficit)	Cumulative Foreign Currency Translation Adjustments	Unearned Restricted Stock Issued For Future Service	Total Stockholders' Equity (Deficit)
			(in thousands)			
Balance December 31, 1993	$135	$134,865				$135,000
Net (loss)			$ (3,612)			(3,612)
Translation adjustments				$3,961		3,961
Balance December 29, 1994	135	134,865	(3,612)	3,961		135,349
Net (loss)			(21,519)			(21,519)
Issuance of Common Stock	1	(1)				
Translation adjustments				3,266		3,266
Balance December 28, 1995	$136	$134,864	$(25,131)	$7,227		$117,096
Net (loss)			(13,682)			(13,682)
Issuance of Common Stock	9	236			$(92)	153
Translation Adjustment				78		78
Balance December 26, 1996	$145	$135,100	$(38,813)	$7,305	$(92)	$103,645

The accompanying notes are an integral part of the consolidated financial statements.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	52 weeks December 29, 1995 to December 26, 1996	52 weeks December 30, 1994, to December 28, 1995	52 weeks January 1, to December 29, 1994
		(in thousands)	
Cash flows from operating activities:			
(Loss) before extraordinary item	$(13,682)	$(17,323)	$ (3,612)
Extraordinary (loss)		(4,196)	
Net (loss)	(13,682)	(21,519)	(3,612)
Adjustments to reconcile net (loss) to net cash provided by operating activities:			
Depreciation and amortization under capital leases	42,086	40,262	35,775
Amortization of intangibles and excess reorganization value	16,334	15,799	15,612
Amortization of deferred financing fees and discount	2,272	2,196	1,569
Decrease in deferred and noncurrent income taxes	(11,065)	(6,450)	(52)
Loss on debt extinguishment		6,778	
Foreign currency transaction gain	(810)	(1,233)	(3,465)
Loss (gain) on sales of property, plant and equipment	165	73	(9)
Changes in operating assets and liabilities:			
Accounts receivable	10,180	(839)	(11,257)
Inventories	4,383	12,741	(10,548)
Other current assets	(788)	(1,837)	(1,607)
Accounts payable and accrued liabilities	12,463	(1,670)	3,774
Other	(5,214)	(5,334)	(2,894)
Total adjustments	70,006	60,486	26,898
Total net cash provided by operating activities	56,324	38,967	23,286
Cash flows from investing activities:			
Capital expenditures	(37,073)	(34,465)	(32,566)
Proceeds from sale of property, plant and equipment	2,356	86	359
Purchase of minority interest in subsidiary			(4,200)
Net cash (used in) investing activities	(34,717)	(34,379)	(36,407)
Cash flows from financing activities:			
Issuance of common stock	153		
Proceeds from revolving loan and long-term borrowings	2,186	207,922	37,668
Deferred financing costs	(142)	(7,887)	(1,608)
Repayment of revolving loan, long-term borrowings and capital lease obligations	(11,705)	(181,375)	(22,617)
Net cash provided by (used in) financing activities	(9,508)	18,660	13,443
Effect of currency exchange rate changes on cash	(630)	(212)	(776)
Net increase (decrease) in cash and equivalents	11,469	23,036	(454)
Cash and equivalents at beginning of period	30,325	7,289	7,743
Cash and equivalents at end of period	$41,794	$30,325	$ 7,289

Supplemental cash flow information and noncash investing and financing activities:			
Interest paid	$55,798	$55,030	$ 43,484
Income taxes paid	$ 1,647	$ 4,895	$ 5,058
Capital lease obligations (machinery and equipment)	$ 2,186	$ 2,081	
Issuance of common stock for directors' compensation and employee stock grant	$ 153		

The accompanying notes are an integral part of the consolidated financial statements.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CHAPTER 11 REORGANIZATION PROCEEDINGS (dollars in thousands)

On January 6, 1993, a group of bondholders filed an involuntary petition for reorganization of Envirodyne Industries, Inc. under Chapter 11 of the United States Bankruptcy Code. On January 7, 1993 Viskase Corporation, Viskase Sales Corporation, Viskase Holding Corporation, Clear Shield National, Inc., Sandusky Plastics of Delaware, Inc., Sandusky Plastics, Inc. and Envirodyne Finance Company each filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). On December 17, 1993, the Bankruptcy Court confirmed the First Amended Joint Plan of Reorganization as twice modified (Plan of Reorganization) with respect to Envirodyne Industries, Inc. (Envirodyne) and certain of its subsidiaries. The Plan of Reorganization was consummated and Envirodyne and certain of its subsidiaries emerged from Chapter 11 on December 31, 1993 (Effective Date). For accounting purposes, the Plan of Reorganization was deemed to be effective as of December 31, 1993.

2. NATURE OF BUSINESS

Envirodyne manufactures food packaging products and foodservice supplies through three primary operating subsidiaries - Viskase, Sandusky and Clear Shield. The operations of these subsidiaries are primarily in North and South America and Europe. Viskase is a leading producer of cellulosic casings used in preparing and packaging processed meat products and is a major producer of heat shrinkable plastic bags and specialty films for packaging and preserving fresh and processed meat products, poultry and cheeses. The Company is also a leading domestic and international manufacturer of plasticized polyvinyl chloride (PVC) films, primarily for use in packaging food items. Through Sandusky, the Company is a producer of thermoformed plastic containers, used in the packaging of cultured dairy and delicatessen products, and of horticultural trays and inserts. Finally, through Clear Shield, the Company is a major domestic producer of disposable plastic cutlery, drinking straws, custom dining kits and related products.

International Operations

Viskase has seven manufacturing facilities located outside the continental United States, in Beauvais, France; Thaon, France; Lindsay, Ontario, Canada; Sedgefield, England (Great Britain); Swansea, Wales (Great Britain); Guarulhos, Brazil and Nuevo Laredo, Mexico.

The aggregate of domestic exports and net sales of foreign operations represents approximately 58% of Viskase's total net sales.

International sales and operations may be subject to various risks including, but not limited to, possible unfavorable exchange rate fluctuations, political instability, governmental regulations (including import and export controls), restrictions on currency repatriation, embargoes, labor relations laws and the possibility of governmental expropriation. Viskase's foreign operations generally are subject to taxes on the repatriation of funds.

International operations in certain parts of the world may be subject to international balance of payments difficulties which may raise the possibility of delay or loss in the collection of accounts receivable from sales to customers in those countries. Viskase believes that its allowance for doubtful accounts makes adequate provision for the collectibility of its receivables. Management believes that growth potential exists for many of Viskase's products outside the United States and that Viskase is well positioned to participate in these markets.

All of Sandusky's and Clear Shield's operations are located in the United States.

Sales and Distribution

Viskase sells its products in virtually every country in the world with principal markets in North America, Europe, Latin America and Asia Pacific. In the United States, Viskase has a staff of technical sales teams responsible for sales to fresh meat, processed meat and poultry producers. Approximately 50 distributors market Viskase products to customers in Europe, Africa, Asia, and Latin America. Its products are marketed through its own subsidiaries in the United Kingdom, Germany, France, Italy, Russia, Brazil, Mexico, Australia and Argentina.

In the United States, Viskase sells its PVC film products primarily to the retail grocery industry through packaging material distributors, food wholesalers and a direct sales force. Additionally the sales organization is supported by a technical service group. The United Kingdom operation sells directly and through distributors, primarily to the retail grocery and foodservice industries in Europe.

In the United States, Viskase operates casings service centers in Atlanta, Georgia, and Bensalem, Pennsylvania, as well as service centers within the Chicago, Illinois, and Pauls Valley, Oklahoma, plants. In Latin America, Viskase operates service centers in Monterrey, Mexico, and within the Guarulhos, Brazil, plant. In Europe, Viskase operates casings service centers in Milan, Italy, Pulheim, Germany, and Moscow, Russia. Viskase also operates a service center through a joint venture in Brisbane, Australia. These service centers provide finishing, inventory and delivery services to Viskase customers.

Sandusky's and Clear Shield's sales are predominantly in the United States.

Competition

Viskase is one of the world's leading producers of cellulosic casings and a major producer of films. From time to time, Viskase experiences reduced market share or reduced profits due to price competition; however, management believes that such market conditions will not result in any long-term material loss of business.

The dairy and delicatessen containers industry is highly fragmented. Sandusky competes in the manufacture and sale of dairy and delicatessen containers with several domestic manufacturers of thermoformed and injection molded plastic containers. Major competitive factors in the dairy and delicatessen container business are price, quality and customer service. Major competitive factors in the specialized thermoformed container business are price and technical and customer service capabilities.

Clear Shield's primary competitors include several major corporations, some of which are larger and better capitalized than Clear Shield and, in some cases, offer a wider product line than Clear Shield. Clear Shield's competitors periodically engage in aggressive price discounting to gain business. Clear Shield management believes, however, that such market conditions will not result in any long-term material loss of business for Clear Shield, although its profit margins may be affected from time to time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of presentation

Effective in 1990 Envirodyne adopted a 52/53 week fiscal year ending on the last Thursday of December. The 1993 financial statements include December 31, 1993 in order to present the effect of the consummation of the Plan of Reorganization.

(B) Principles of consolidation

The consolidated financial statements include the accounts of Envirodyne Industries, Inc. and its subsidiaries (the Company).

Reclassifications have been made to the prior years' financial statements to conform to the 1996 presentation.

(C) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(D) Cash equivalents (dollars in thousands)

For purposes of the statement of cash flows, the Company considers cash equivalents to consist of all highly liquid debt investments purchased with an initial maturity of approximately three months or less. Due to the short-term nature of these instruments, the carrying values approximate the fair market value. Cash equivalents include $26,338 and $24,536 of short-term investments at December 26, 1996 and December 28, 1995, respectively.

(E) Inventories

Domestic inventories are valued primarily at the lower of last-in, first-out (LIFO) cost or market. Remaining amounts, primarily foreign, are valued at the lower of first-in, first-out (FIFO) cost or market.

(F) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Property and equipment additions include acquisition of property and equipment and costs incurred for computer software purchased for internal use including related external direct costs of materials and services and payroll costs for employees who are directly associated with the project. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations.

(G) Deferred financing costs

Deferred financing costs are amortized on a straight-line basis over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

(H) Patents

Patents are amortized on the straight-line method over an estimated average useful life of ten years.

The carrying value of patents is periodically reviewed by the Company and impairments are recognized when the expected undiscounted future operating cash flows derived from such patents is less than the carrying value. If impairment is identified, valuation techniques deemed appropriate under the particular circumstances will be used to determine the asset's fair value. The loss will be measured based on the excess of carrying value over the determined fair value. The review for impairment is performed at least on a quarterly basis.

(I) Excess reorganization value, net

Excess reorganization value is amortized on the straight-line method over 15 years. Accumulated amortization of excess reorganization value totaled $31 million and $20 million at December 26, 1996, and December 28, 1995, respectively.

The Company continues to evaluate the recoverability of excess reorganization value based on operating performance and undiscounted cash flows of the operating business units. Impairment will be recognized when the expected undiscounted future operating cash flows derived from such intangible is less than its carrying value. If impairment is identified, valuation techniques deemed appropriate under the particular circumstances will be used to determine the intangible's fair value. The loss will be measured based on the excess of carrying value over the determined fair value. The review for impairment is performed at least on a quarterly basis.

(J) Pensions

The North American operations of Viskase and the Company's operations in Europe have defined benefit retirement plans covering substantially all salaried and full time hourly employees. Pension cost is computed using the projected unit credit method.

The Company's funding policy is consistent with funding requirements of the applicable federal and foreign laws and regulations.

(K) Postretirement benefits other than pensions

The North American operations of Viskase have postretirement health care and life insurance benefits. Effective January 1, 1993, postretirement benefits other than pensions are accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

(L) Postemployment benefits

Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, the Company adopted SFAS No. 112 "Employers Accounting for Postemployment Benefits." The impact of adopting SFAS No. 112 was not material.

(M) Income taxes

Income taxes are accounted for in accordance with SFAS No. 109. Tax provisions and benefits are recorded at statutory rates for taxable items included in the consolidated statements of operations regardless of the period for which such items are reported for tax purposes. Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities for which income tax benefits will be realized in future years.

(N) Net income (loss) per share

Net income (loss) per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year. No effect has been given to options outstanding under the Company's stock option plans and warrants issued pursuant to the Plan of Reorganization as their effect is anti-dilutive.

(O) Revenue recognition

Sales to customers are recorded at the time of shipment net of discounts and allowances.

(P) Foreign currency contracts

The Company maintains a hedging program to partially hedge its forecasted foreign currency revenue cash flows. The hedging program principally addresses revenue cash flows within its European operations. The foreign exchange contracts are denominated predominantly in the major European currencies and have varying maturities up to eighteen months. The effect of this practice is to minimize the effect of foreign exchange rate movements on the Company's operating results. The Company's hedging activities do not subject the Company to additional exchange rate risk because gains and losses on these contracts offset losses and gains on the transactions being hedged. The cash flows from forward contracts accounted for as hedges of identifiable transactions or events are classified consistent with the cash flows from the transactions or events being hedged.

(Q) Stock-based compensation

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on new fair value acounting rules. Although expense recognition for employee stock-based compensation is not mandatory, SFAS 123 requires companies that choose not to adopt the new fair value accounting to disclose pro forma net income and earnings per share under the new method. The Company has not adopted fair value accounting, and, accordingly, no compensation cost has been recognized for employee stock-based compensation. The Company has complied with the disclosure requirements of SFAS 123 (refer to Note 16).

4. RECEIVABLES (dollars in thousands)

Receivables consisted primarily of trade accounts receivable and were net of allowances for doubtful accounts of $2,051 and $3,224 at December 26, 1996, and at December 28, 1995, respectively.

Envirodyne has a broad base of customers, with no single customer accounting for more than 5% of sales.

5. INVENTORIES (dollars in thousands)

Inventories consisted of:

	December 26, 1996	December 28, 1995
Raw materials	$14,960	$17,150
Work in process	29,057	32,800
Finished products	50,995	49,524
	$95,012	$99,474

Approximately 55% and 54% of the Company's inventories at December 26, 1996, and December 28, 1995, respectively, were valued at LIFO. These LIFO values exceeded current manufacturing cost by approximately $4,000 at both December 26, 1996, and December 28, 1995. Inventories were net of reserves for obsolete and slow moving inventory of $4,397 and $3,818 at December 26, 1996, and December 28, 1995, respectively.

Raw materials used by Viskase include cellulose (from wood pulp), fibrous paper, petroleum based resins, plasticizers and various other chemicals. Viskase generally purchases its raw materials from a single or small number of suppliers with whom it maintains good relations. Certain primary and alternative sources of supply are located outside the United States. Viskase believes, but there can be no assurance, that adequate alternative sources of supply currently exist for all of Viskase's raw materials or raw material substitutes that Viskase could modify its processes to utilize.

The principal raw materials used by Sandusky and Clear Shield are thermoplastic resins, which are readily available from several domestic sources.

6. PROPERTY, PLANT AND EQUIPMENT (dollars in thousands)

	December 26, 1996	December 28, 1995
Property, plant and equipment:		
Land and improvements	$ 15,644	$ 16,369
Buildings and improvements	84,778	81,767
Machinery and equipment	312,185	292,176
Construction in progress	25,889	15,938
Capital leases:		
Machinery and equipment	140,208	139,241
	$578,704	$545,491

Maintenance and repairs charged to costs and expenses for 1996, 1995, and 1994 aggregated $34,887, $33,227 and $33,045, respectively. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years.

7. OTHER ASSETS (dollars in thousands)

Other assets were comprised of:

	December 26, 1996	December 28, 1995
Patents	$50,000	$50,000
Less accumulated amortization	15,000	10,000
Patents, net	35,000	40,000
Other	7,809	5,589
	$42,809	$45,589

Patents are amortized on the straight-line method over an estimated average useful life of ten years.

8. ACCRUED LIABILITIES (dollars in thousands)

Accrued liabilities were comprised of:

	December 26, 1996	December 28, 1995
Compensation and employee benefits	$38,122	$31,997
Taxes	11,103	6,535
Accrued volume and sales discounts	14,959	13,218
Other	17,925	15,803
	$82,109	$67,553

9. DEBT OBLIGATIONS (dollars in thousands)

On June 20, 1995, Envirodyne completed the sale of $160,000 aggregate principal amount of senior secured notes (Senior Secured Notes) to certain institutional investors in a private placement. The senior secured notes were issued pursuant to an indenture dated June 20, 1995 (Indenture) and consist of (i) $151,500 of 12% Senior Secured Notes due

2000 and (ii) $8,500 of Floating Rate Senior Secured Notes due 2000 (collectively, the Senior Secured Notes). Envirodyne used the net proceeds of the offering primarily to (i) repay the Company's $86,125 domestic term loan, (ii) repay the $68,316 of obligations under the Company's domestic and foreign revolving loans and (iii) pay transaction fees and expenses. Concurrently with the June 20, 1995 placement, Envirodyne entered into a new $20,000 domestic revolving credit facility (Revolving Credit Facility) and a new $28,000 letter of credit facility (Letter of Credit Facility). The Senior Secured Notes and the obligations under the Revolving Credit Facility and the Letter of Credit Facility are guaranteed by Envirodyne's significant domestic subsidiaries and secured by a collateral pool (Collateral Pool) comprised of: (i) all domestic accounts receivable (including intercompany receivables) and inventory; (ii) all patents, trademarks and other intellectual property (subject to non-exclusive licensing agreements); (iii) substantially all domestic fixed assets (other than assets subject to a lease agreement with General Electric Capital Corporation); and (iv) a senior pledge of 100% of the capital stock of Envirodyne's significant domestic subsidiaries and 65% of the capital stock of Viskase Europe Limited. Such guarantees and security are shared by the holders of the Senior Secured Notes and the holders of the obligations under the Revolving Credit Facility on a pari passu basis pursuant to an intercreditor agreement. Pursuant to such intercreditor agreement, the security interest of the holders of the obligations under the Letter of Credit Facility has priority over all other liens on the Collateral Pool.

The Company finances its working capital needs through a combination of cash generated through operations and borrowings under the Revolving Credit Facility. The availability of funds under the Revolving Credit Facility is subject to the Company's compliance with certain covenants (which are substantially similar to those included in the Indenture), borrowing base limitations measured by accounts receivable and inventory of the Company and reserves which may be established at the discretion of the lenders. Currently, there are no drawings under the Revolving Credit Facility. The available borrowing capacity under the Revolving Credit Facility was $20 million at December 26, 1996.

The Company recognized an extraordinary loss of $6,778 representing the write-off of deferred financing fees related to the June 20, 1995 debt refinancing. The extraordinary loss, net of applicable income taxes of $2,582, was included in the Company's Statement of Operations for the quarter ended June 29, 1995.

The $151,500 tranche of Senior Secured Notes bears interest at a rate of 12% per annum and the $8,500 tranche bears interest at a rate equal to the six month London Interbank Offered Rate (LIBOR) plus 575 basis points. The current interest rate on the floating rate tranche is approximately 11.4%. The interest rate on the floating rate tranche is reset semi-annually on June 15 and December 15. Interest on the Senior Secured Notes is payable each June 15 and December 15.

On June 15, 1999, $80,000 of the aggregate principal amount of the Senior Secured Notes is subject to a mandatory redemption. The remaining principal amount outstanding will mature on June 15, 2000.

In the event the Company has Excess Cash Flow (as defined) in excess of $5,000 in any fiscal year, beginning with fiscal 1995, Envirodyne will be required to make an offer to purchase Senior Secured Notes together with any borrowed money obligations outstanding under the Revolving Credit Facility, on a pro rata basis, in an amount equal to the Excess Cash Flow at a purchase price of 100% plus any accrued interest to the date of purchase. There was no Excess Cash Flow for fiscal 1996.

The Senior Secured Notes are redeemable, in whole or from time to time in part, at Envirodyne's option, at the greater of (i) the outstanding principal amount or (ii) the present value of the expected future cash flows from the Senior Secured Notes discounted at a rate equal to the Treasury Note yield corresponding closest to the remaining average life of the Senior Secured Notes at the time of prepayment plus 100 basis points; plus accrued interest thereon to the date of purchase.

Upon the occurrence of a Change of Control (which includes the acquisition by any person of more than 50% of Envirodyne's Common Stock), each holder of the Senior Secured Notes has the right to require the Company to repurchase such holder's Senior Secured Notes at a price equal to the greater of (i) the outstanding principal amount or (ii) the present value of the expected cash flows from the Senior Secured Notes discounted at a rate equal to the Treasury Note yield corresponding closest to the remaining average life of the Senior Secured Notes at the time of prepayment plus 100 basis points; plus accrued interest thereon to the date of purchase.

The Indenture contains covenants with respect to Envirodyne and its subsidiaries limiting (subject to a number of important qualifications), among other things, (i) the ability to pay dividends or redeem or repurchase common stock, (ii) the incurrence of indebtedness, (iii) the creation of liens, (iv) certain affiliate transactions and (v) the ability to consolidate with or merge into another entity and to dispose of assets.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to the three month London Interbank Offered Rate (LIBOR) on the first day of each calendar quarter plus 300 basis points. The Revolving Credit Facility expires on June 20, 1998.

The Letter of Credit Facility expires on June 20, 1998. Fees on the outstanding amount of letters of credit are 2.0% per annum, with an issuance fee of 0.5% on the face amount of the letter of credit. There is a commitment fee of 0.5% per annum on the unused portion of the Letter of Credit Facility.

The $219,262 principal amount of 10-1/4% Notes were issued pursuant to an Indenture dated as of December 31, 1993 (10-1/4% Note Indenture) between Envirodyne and Bankers Trust Company, as Trustee. The 10-1/4% Notes are the unsecured senior obligations of Envirodyne, bear interest at the rate of 10-1/4% per annum, payable on each June 1 and December 1, and mature on December 1, 2001. The 10-1/4% Notes are redeemable, in whole or from time to time in part, at the option of Envirodyne, at the percentages of principal amount specified below plus accrued and unpaid interest to the redemption date, if the 10-1/4% Notes are redeemed during the twelve-month period commencing on January 1 of the following years:

Year	Percentage
1997	103%
1998	102%
1999	101%
2000 and thereafter	100%

The 10-1/4% Note Indenture contains covenants with respect to Envirodyne and its subsidiaries limiting (subject to a number of important qualifications), among other things, (i) the ability to pay dividends on or redeem or repurchase capital stock, (ii) the incurrence of indebtedness, (iii) certain affiliate transactions and (iv) the ability of the Company to consolidate with or merge with or into another entity or to dispose of substantially all its assets.

Outstanding short-term and long-term debt consisted of:

	December 26, 1996	December 28, 1995
Short-term debt, current maturity of long-term debt and capital lease obligations:		
Current maturity of Viskase Capital Lease Obligation	$ 6,633	$ 6,012
Current maturity of Viskase Limited Term Loan (4.7%)	1,876	2,033
Other	2,782	4,459
Total short-term debt	$11,291	$12,504
Long-term debt:		
12% Senior Secured Notes due 2000	$160,000	$160,000
10.25% Senior Notes due 2001	219,262	219,262
Viskase Capital Lease Obligation	134,549	141,182
Viskase Limited Term Loan (4.7%)	4,690	7,115
Other	2,678	2,622
Total long-term debt	$521,179	$530,181

The fair value of the Company's debt obligation (excluding capital lease obligations) is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for the debt of the same remaining maturities. At December 26, 1996, the carrying amount and estimated fair value of debt obligations (excluding capital lease obligations) were $387,539 and $390,265, respectively.

The average interest rate on short-term borrowing during 1996 was 9.7%.

On December 28, 1990, Viskase and GECC entered into a sale and leaseback transaction. The sale and leaseback of assets included the production and finishing equipment at Viskase's four domestic casing production and finishing facilities. The facilities are located in Chicago, Illinois; Loudon, Tennessee; Osceola, Arkansas and Kentland, Indiana. Viskase, as the Lessee under the relevant agreements, will continue to operate all of the facilities. Sales proceeds on the sale-leaseback transaction were $171.5 million; proceeds were used to repay approximately $154 million of bank debt and a $15 million convertible note outstanding at the time. The lease has been accounted for as a capital lease.

The principal terms of the sale and leaseback transaction include: (a) a 15-year basic lease term (plus selected renewals at Viskase's option); (b) annual rent payments in advance beginning in February 1991; and (c) a fixed price purchase option at the end of the basic 15-year term and fair market purchase options at the end of the basic term and each renewal term. Further, the Lease Documents contain covenants requiring maintenance by the Company of certain financial ratios and restricting the Company's ability to pay dividends, make payments to affiliates, make investments and incur indebtedness.

Annual rental payments under the Lease will be approximately $19.2 million through 1997, $21.4 million in 1998 and $23.5 million through the end of the basic 15-year term. Viskase is required to provide credit support consisting of a standby letter of credit in an amount up to one year's rent through at least 1997. This credit support can be reduced up to $4 million currently if the Company achieves and maintains certain financial ratios. As of December 26, 1996, the Company had met the required financial ratios and the letter of credit has been reduced by $4 million. The letter can be further reduced in 1997 or eliminated after 1998 if the Company achieves and maintains certain financial ratios. Envirodyne and its other principal subsidiaries guaranteed the obligations of Viskase under the Lease.

The 1996 GECC lease payment of $19,227 was paid on February 28, 1997. Principal payments under the capital lease obligations for the years ended 1997 through 2001 range from approximately $7 million to $16 million.

The following is a schedule of minimum future lease payments under the capital lease obligations together with the present value of the net minimum lease payments as of December 26, 1996:

Year ending December

1997	$ 19,775
1998	21,812
1999	23,948
2000	23,948
2001	23,948
Thereafter	94,522
Net minimum lease payments	207,953
Less: Amount representing interest	(63,022)
	$144,931

Aggregate maturities of remaining long-term debt for each of the next five fiscal years are:

	Total
1997	$ 10,492
1998	12,214
1999	95,479
2000	95,756
2001	235,551

10. OPERATING LEASES (dollars in thousands)

The Company has operating lease agreements for machinery, equipment and facilities. The majority of the facilities leases require the Company to pay maintenance, insurance and real estate taxes.

Future minimum lease payments for operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 26, 1996, are:

1997	$2,248
1998	1,338
1999	641
2000	141
2001	69
Total thereafter	-
Total minimum lease payments	$4,437

Total rent expense during 1996, 1995 and 1994 amounted to $5,026, $6,749, and $5,982, respectively.

11. RETIREMENT PLANS

The Company and its subsidiaries have defined contribution and defined benefit plans varying by country and subsidiary.

At December 26, 1996, the North American operations of Viskase maintained several non-contributory defined benefit retirement plans. The Viskase plans cover substantially all salaried and full-time hourly employees, and benefits are based on final average compensation and years of credited service. The Company's policy is to fund the minimum actuarially computed annual contribution required under the Employee Retirement Income Security Act of 1974 (ERISA).

As of the Viskase acquisition date, the former owner assumed the liability for the accumulated benefit obligation under its plans. The effect of expected future compensation increases on benefits accrued is recorded as a liability on the Company's consolidated balance sheet.

PENSIONS -- NORTH AMERICA (dollars in thousands):

Net pension cost for the Viskase North American plans consisted of:

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Service cost -- benefits earned during the year	$ 3,301	$ 3,238	$ 3,662
Interest cost on projected benefit obligation	5,121	4,794	4,249
Actual (gain) loss on plan assets	(4,712)	(7,012)	874
Net amortization and deferral	1,061	4,086	(3,696)
Net pension cost	$ 4,771	$ 5,106	$ 5,089

The amounts included in the consolidated balance sheet for the North American plans of Viskase were:

	December 26, 1996	December 28, 1995
Actuarial present value of benefit obligation:		
Vested benefits	$48,058	$45,208
Nonvested benefits	4,112	4,435
Accumulated benefit obligation	52,170	49,643
Effect of projected future compensation increases	22,840	16,566
Projected benefit obligation	75,010	66,209
Plan assets at fair value, primarily listed stocks and investment grade corporate bonds	51,896	43,190
Amount underfunded	23,114	23,019
Unrecognized gain	5,975	7,578
Unrecognized prior service costs	55	63
Accrued liability included in consolidated balance sheet	$29,144	$30,660
Assumed discount rate	7.5%	7.5%
Assumed long-term compensation factor	5.0%	4.5%
Assumed long-term return on plan assets	8.5%	8.5%

SAVINGS PLANS (dollars in thousands):

The Company also has defined contribution savings and similar plans, which vary by subsidiary, and, accordingly, are available to substantially all full-time United States employees not covered by collective bargaining agreements. The Company's aggregate contributions to these plans are based on eligible employee contributions and certain other factors. The Company expense for these plans was $2,207, $2,134, and $2,109 in 1996, 1995, and 1994, respectively.

INTERNATIONAL PLANS (dollars in thousands):

The Company maintains various pension and statutory separation pay plans for its European employees. The expense for these plans in 1996, 1995 and 1994 was $1,972, $1,383 and $1,043, respectively. As of their most recent valuation dates, in plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately $2,204; conversely, plan assets exceeded the vested benefits in certain other plans by approximately $2,569.

OTHER POSTRETIREMENT BENEFITS (dollars in thousands):

The Company provides postretirement health care and life insurance benefits to Viskase's North American employees. The Company does not fund postretirement health care and life benefits in advance, and has the right to modify these plans in the future.

Effective January 1, 1993, the company adopted the provisions of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires that the expected cost of these benefits must be charged to expense during the years that the employee renders service. In connection with the 1989 acquisition of the Company, an accrual of $15,000 had been recorded for the estimated postretirement benefits liability at the acquisition date. On January 1, 1993, an additional liability and transition obligation was recorded on a prospective basis for $6,500. The transaction obligation was to be amortized over 20 years. Subsequently, Fresh Start Reporting resulted in the write-off of the transition obligation and statement of the liability for postretirement health care and life insurance benefits at fair value. Net periodic postretirement benefit cost for 1996 and 1995 includes the following components:

	Medical		Life		Total	
	1996	1995	1996	1995	1996	1995
Components of net periodic postretirement benefit cost:						
Service cost -- benefits earned during the current year	$515	$ 413	$ 163	$ 162	$ 678	$ 575
Interest cost -- on accumulated post-retirement benefit obligation	1,404	1,182	499	472	1,903	1,654
Amortization of unrecognized net loss or (net gain)	15	(71)	(10)	(16)	5	(87)
Amortization of prior service cost (credit)	73	(2)	5	(1)	78	(3)
Net periodic benefit cost	$2,007	$ 1,522	$ 657	$ 617	$2,664	$ 2,139
Accumulated postretirement benefit obligations:						
Retirees	$ 9,565	$ 6,937	$ 3,402	$2,745	$12,967	$ 9,682
Fully eligible active participants	2,043	2,309	2,173	2,409	4,216	4,718
Other active participants	8,422	7,411	1,712	1,624	10,134	9,035
Total	20,030	16,657	7,287	6,778	27,317	23,435
Unrecognized gains or (losses)	(322)	1,616	702	622	380	2,238
Unrecognized prior service costs	(616)	(109)	(45)		(661)	(109)
Accrued postretirement benefit cost	$19,092	$18,164	$ 7,944	$7,400	$27,036	$25,564

Assumed discount rate	7.50%
Assumed medical trend rate	10.50% in 1996 decreasing to 6.50% in 2004
Assumed long-term compensation factor	4.50%

The postretirement benefit obligation was determined by application of the terms of the various plans, together with relevant actuarial assumptions. The effect of a 1% annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation at December 26, 1996 and December 28, 1995 by $322 and $178, respectively, and the service and interest cost components for 1996 and 1995 by a total of $69 and $16, respectively.

EMPLOYEE RELATIONS

The Company generally maintains productive and amicable relationships with its 4,900 employees worldwide. One of Viskase's domestic plants, located in Loudon, Tennessee, is unionized, and all of its Canadian and European plants have unions. Employees at the Company's European plants are unionized with negotiations occurring at both local and national levels. Based on past experience and current conditions, the Company does not expect a protracted work stoppage to occur stemming from union activities; however, national events outside of the Company's control may give rise to such risk. From time to time union organization efforts have occurred at other individual plant locations.

Unions represent a total of approximately 1,500 of Viskase's 4,000 employees. None of Clear Shield's employees are represented by unions. Certain of the hourly production personnel at Sandusky's Ohio thermoforming and injection molding facilities are members of a union. As of December 26, 1996, approximately 1,425 of the Company's employees are covered by collective bargaining agreements that will expire within one year.

12. INCOME TAXES (dollars in thousands)

The provision (benefit) for income taxes consisted of:

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Current:			
Federal			$ 200
Foreign	$ 4,365	$ 950	4,652
State and local			
	$ 4,365	$ 950	4,852
Deferred:			
Federal	(9,911)	(7,219)	(194)
Foreign	393	2,098	128
State and local	(1,547)	(1,329)	14
	(11,065)	(6,450)	(52)
	$(6,700)	$(5,500)	$4,800

The income tax benefit for the 1995 period was allocated between loss before extraordinary loss for $2,918 and to the extraordinary loss for $2,582.

A reconciliation from the statutory federal tax rate to the consolidated effective tax rate follows:

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Statutory federal tax rate	(35.0)%	(35.0)%	35.0%
Increase (decrease) in tax rate due to:			
State and local taxes net of related federal tax benefit	(4.9)	(3.2)	.8
Net effect of taxes relating to foreign operations	6.3	.8	140.3
Intangibles amortization	12.5	9.4	214.1
Other	(11.8)	7.6	13.8
Consolidated effective tax rate	(32.9)%	(20.4)%	404.0%

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1996 are as follows:

	Temporary Difference		Tax Effected	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation basis differences		$286,750		$109,383
Inventory basis differences		30,096		11,775
Intangible basis differences		34,916		13,617
Lease transaction	$141,182		$55,061	
Pension and healthcare	55,235		21,593	
Employee benefits accruals	15,119		5,896	
Valuation allowances	3,721		1,451	
Other accruals and reserves	2,569		921	
Foreign exchange and other		38,354		14,958
	$217,826	$390,116	$84,922	$149,733

At December 26, 1996, the Company had $16,393 of undistributed earnings of foreign subsidiaries considered permanently invested for which deferred taxes have not been provided.

At December 26, 1996, the Company had federal income tax net operating loss carryforwards of approximately $88 million, which have been substantially offset by a valuation allowance. Such losses will expire in the year 2009, if not previously utilized. In addition the Company has alternative minimum tax credit carryforwards of $3.5 million. Alternative minimum tax credits have an indefinite carryforward period. Significant limitations on the utilization of the net operating loss carryforwards and the alternative minimum tax credit carryforwards exist under federal income tax rules.

Domestic (losses) after extraordinary loss and before income taxes were approximately $(30,323), $(30,138) and $(7,705) in 1996, 1995 and 1994, respectively. Foreign earnings or (losses) before income taxes were approximately $9,942, $3,118 and $8,893 in 1996, 1995 and 1994, respectively.

The Company joins in filing a United States consolidated federal income tax return including all of its domestic subsidiaries.

13. COMMITMENTS

As of December 26, 1996, the Company had capital expediture commitments outstanding of approximately $2.5 million.

14. CONTINGENCIES (dollars in thousands)

In late 1993, Viskase commenced a legal action against American National Can Company (ANC) in Federal District Court for the Northern District of Illinois, Eastern Division, 93C7651. Viskase claimed that ANC was infringing on various Viskase patents relating to multi-layer barrier plastic films used for fresh red meat, processed meat and poultry product applications. On November 8, 1996, after a three week trial, a jury found that ANC had willfully infringed Viskase's patents and awarded Viskase $102.4 million in compensatory damages. On December 5, 1996, ANC posted a supersedeas bond in the amount of $108 million and the Court entered an order staying Viskase's enforcement of the judgment. The Court also entered an order permanently enjoining ANC from making or selling infringing products after December 23, 1996.

The judgment is not final and the parties are presently engaged in the post-judgment motion phase of the case. ANC has filed motions to reduce the damage award by at least $75 million or alternatively, grant ANC a new trial. Viskase is seeking a determination that the case be deemed "exceptional" and that the award be increased by approximately $46 million which includes compensatory damages for ANC's infringement during the period of October 1, 1996 through December 23, 1996 and additional damages for prejudgment interest, attorneys' fees and related expenses. Due to ANC's willful infringement of the patents, Viskase has asked the court to treble the compensatory award. These motions are all pending before the Court and rulings are expected in the second quarter 1997. Meanwhile post-judgment interest is accruing on the $102.4 million award from November 8, 1996 at an annual rate of 5.49%. The Company expects ANC to vigorously contest the award and to appeal any final judgment. The award and any pending claims for additional damages have not been recorded in the Company's financial statements.

A class action lawsuit by former employees of subsidiary corporations comprising most of the Company's former steel and mining division (SMD) was pending as of the commencement of the bankruptcy case in which the plaintiffs were seeking substantial damages. In March 1996, Envirodyne completed a settlement of the lawsuit under which Envirodyne was released and discharged from all claims in exchange for 900,000 shares of Envirodyne common stock without any admission or finding of liability or wrongdoing.

Litigation is pending with respect to events arising out of the Envirodyne bankruptcy case and the 1989 acquisition of Envirodyne by Emerald Acquisition Corporation (Emerald) with respect to which, although Envirodyne is not presently a party to such litigation, certain defendants have asserted indemnity rights against Envirodyne.

In *ARTRA Group Incorporated v. Salomon Brothers Holding Company Inc, Salomon Brothers Inc, D.P. Kelly & Associates, L.P., Donald P. Kelly, Charles K. Bobrinskoy, James L. Massey, William Rifkind and Michael Zimmerman*, Case No. 93 A 1616, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, ARTRA Group Incorporated (ARTRA) alleges breach of fiduciary duty and tortious inference in connection with the negotiation and consummation of the Plan of Reorganization (*ARTRA I*). In *ARTRA Group Incorporated v. Salomon Brothers Holding Company Inc, Salomon Brothers Inc, D.P. Kelly & Associates, L.P., Donald P. Kelly, Charles K. Bobrinskoy and Michael Zimmerman*, Case No. 93 L 2198, Circuit Court of the Eighteenth Judicial Circuit, DuPage County, Illinois, ARTRA alleges breach of fiduciary duty, fraudulent and negligent misrepresentation and breach of contract in connection with the 1989 acquisition of Envirodyne by Emerald (*ARTRA II*). The plaintiff seeks damages in the total amount of $136.2 million plus interest and punitive damages of $408.6 million. D.P. Kelly & Associates, L.P. and Messrs. Kelly, Bobrinskoy, Massey, Rifkind and Zimmerman have asserted common law and contractual rights of indemnity against Envirodyne for attorneys' fees, costs and any ultimate liability relating to the claims set forth in the complaints. Upon a motion of the defendants, the Bankruptcy Court dismissed ARTRA's claims in *ARTRA I*. ARTRA appealed to the U.S. District Court and on October 31, 1996, the U.S. District Court affirmed the Bankruptcy Court's decision. ARTRA has appealed to the U.S. Court of Appeals for the Seventh Circuit. All briefs have been filed and the parties are awaiting oral argument.

Envirodyne is continuing its evaluation of the merits of the indemnification claims against Envirodyne and the underlying claims in the litigation. Upon the undertaking of D.P. Kelly & Associates, L.P. to repay such funds in the event it is ultimately determined that there is no right to indemnity, Envirodyne is advancing funds to D.P. Kelly & Associates, L.P. and Mr. Kelly for the payment of legal fees in *ARTRA I*. Although the Company is not a party to either case, the Company believes that the plaintiff's claims raise similar factual issues to those raised in the Envirodyne bankruptcy case which, if adjudicated in a manner similar to that in the Envirodyne bankruptcy case, would render it difficult for the plaintiff to establish liability or prove damages. Accordingly, the Company believes that the indemnification claims would not have a material adverse effect upon the business or financial position of the Company, even if the claimants were successful in establishing their right to indemnification.

Since early 1993, the Antitrust Division of the United States Department of Justice has been investigating the disposable plastic cutlery industry. This investigation has resulted in the indictment and conviction of certain companies and individuals in the industry. Some indictments and criminal trials are pending. Although the United States Department of Justice has advised a former officer and an existing employee of Clear Shield National that they are targets of the investigation, neither person has been indicted. Clear Shield National is cooperating fully with the investigation.

In February 1996 Clear Shield National and three other plastic cutlery manufacturers were named as defendants in the following three civil complaints: Eisenberg Brothers, Inc., on behalf of itself and all others similarly situated, v. Amcel Corp., Clear Shield National, Inc., Dispoz-O Plastics Corp. and Benchmark Holdings, Inc. t/a Winkler Products, Civil Action No. 96-728, United States District Court for the Eastern District of Pennsylvania; St. Cloud Restaurant Supply Company v. Amcel Corp., Clear Shield National, Inc., Dispoz-O Plastics Corp. and Benchmark Holdings, Inc. t/a Winkler Products, Case No. 96C 0777, United States District Court for the Northern District of Illinois, Eastern Division; and Servall Products, Inc., on behalf of itself and all others similarly situated, v. Amcel Corporation, Clear Shield National, Inc., Dispoz-O Plastics Corporation and Benchmark Holdings, Inc. t/a Winkler Products, Civil Action No. 96-1116, United States District Court for the Eastern District of Pennsylvania. Each of the complaints alleges, among other things, that from October 1990 through April 1992 the defendants unlawfully conspired to fix the prices at which plastic cutlery would be sold. The Company has informed the plaintiffs that such claims as they relate to Clear Shield were discharged by the order of the Bankruptcy Court and Plan of Reorganization and that the plaintiffs are permanently enjoined from pursuing legal action to collect discharged claims.

On February 27, 1996, the plaintiff in the St. Cloud case voluntarily dismissed the action without prejudice and refiled its action in the United States District Court for the Eastern District of Pennsylvania but did not name Clear Shield National as a defendant. On March 14, 1996, Eisenberg Brothers Inc., St. Cloud and Servall filed a motion in Clear Shield National's Bankruptcy proceeding in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division contending that the Bankruptcy Court's order did not discharge the plaintiff's claim. On March 19, 1997, the Bankruptcy Court denied their motion and granted the Company's cross motion for summary judgment. The time period for appeal by Eisenberg Brothers, Inc. et al. has not passed.

The Company and its subsidiaries are involved in various legal proceedings arising out of its business and other environmental matters, none of which is expected to have a material adverse effect upon its results of operations, cash flows or financial position.

15. CAPITAL STOCK, PAID IN CAPITAL, AND WARRANTS

Authorized shares of preferred stock ($.01 par value per share) and common stock ($.01 par value per share) for the reorganized Envirodyne are 25,000,000 shares and 50,000,000 shares, respectively. 14,545,107 shares of common stock were issued and outstanding as of December 26, 1996. In accordance with the Plan of Reorganization, a total of 900,261, 64,460 and 15,000 additional shares of common stock were issued to the general unsecured creditors of Envirodyne during 1996, 1995 and 1994, respectively.

Envirodyne issued 1,500,000 warrants pursuant to the Plan of Reorganization, exercisable at any time until December 31, 1998. Each warrant was initially exercisable for one share of common stock at an initial exercise price of $17.25 per share. The exercise price and the number of shares of common stock for which a warrant is exercisable were adjusted as a result of the issuance of certain shares of Envirodyne after the consummation of the Plan of Reorganization, including the issuance of shares in settlement of the SMD lawsuit discussed in Note 14. Under terms of the warrant agreement, the exercise price has been adjusted from $17.25 to $16.08 per share and the number of common shares for which each warrant is exercisable has been adjusted from 1.000 share to 1.073 shares.

On June 26, 1996, the Board of Directors adopted a Shareholder Rights Plan (Plan). Under the Plan, the Board declared a dividend of one Common Stock Purchase Right (Right) for each outstanding common share of the Company. Rights were issued to the shareholders of record on June 26, 1996. The Rights are attached to and automatically trade with the outstanding shares of the Company's common stock.

The Rights will only become exercisable ten days after a public announcement that a person or group has acquired or obtained the right to acquire 41% or more of the Company's Common Stock or ten business days after a person or group commences a tender or offer that would result in such person or group owning 41% or more of the outstanding shares (even if no purchases actually occur).

When the Rights first become exercisable, each Right will entitle the holder thereof to buy from the Company one share of Common Stock for $20.00, subject to adjustment. If any person acquires 41% or more of the Company's Common Stock, other than pursuant to a tender or exchange offer for all outstanding shares of the Company approved by a majority of the independent directors not affiliated with a 40%-or-more stockholder, after receiving advice from one or more investment banking firms, each Right not owned by a 41%-or-more stockholder would become exercisable for shares of the Company having a market value of two times the exercise price of the Right. If the Company is involved in a merger or other business combination, or sells 50% or more of its assets or earning power to another person, at any time after the Rights become exercisable, the Rights will entitle the holder thereof to buy shares of common stock of the acquiring company having a market value of twice the exercise price of each Right.

Rights may be redeemed at a price of $0.001 per Right at any time prior to their expiration on June 26, 2006.

16. STOCK-BASED COMPENSATION (dollars in thousands)

The Company maintains several stock option plans and agreements. The plans provide for the granting of incentive and nonqualified stock options to employees, officers, and directors. Stock options have been granted at prices at or above the fair market value on the date of grant. Options generally vest in three equal installments beginning one year from the grant date and expire ten years from the grant date. Non-employee director options, however, vest on the date of grant. The options are subject to acceleration upon the occurrence of certain events, such acceleration event occurred in both November 1994 and August 1995.

The Company accounts for these plans under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. Accordingly, compensation expense is recognized using the intrinsic value-based method for options granted under the plans. The Company has adopted only the disclosure provisions required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123).

A summary of the Company's stock option activity during the fiscal years ended as of December 26, 1996, December 28, 1995 and December 29, 1994 is presented below:

	1996		1995		1994	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	424,230	$5.06	388,920	$5.06		
Granted	536,500	4.26	97,200	5.02	402,020	$5.06
Exercised						
Forfeited	(61,900)	4.79	(61,890)	5.06	(13,100)	5.06
Outstanding at year end	898,830	4.60	424,230	5.06	388,920	5.06
Options exercisable at year end	392,730	5.04	424,230	5.04	388,920	5.06

There were 651,170 shares of common stock reserved for future stock option grants at December 26, 1996.

As of December 26, 1996, total stock options outstanding have a weighted-average remaining contractual life of 9.86 years. The exercise price of options outstanding as of December 26, 1996 ranged from $3.50 to $5.06. The weighted average grant date fair value of options granted during fiscals 1996 and 1995 was $2.202 and $1.812, respectively.

As option prices per share have not been below the underlying stock price on the grant dates, no compensation expense associated with these plans has been recognized to date in accordance with APB 25.

Had the Company elected to apply the provisions of SFAS 123 regarding recognition of compensation expense to the extent of the calculated fair value of compensatory options, reported net income and earnings per share would have been reduced to the following amounts (only options granted in 1995 and 1996 are included in the calculation of pro forma net income and earnings per share):

	1996	1995
(Loss) before extraordinary item	$(13,682)	$(17,323)
Pro forma (loss) before extraordinary item	(13,826)	(17,356)
Net (loss)	$(13,682)	$(21,519)
Pro forma net (loss)	(13,826)	(21,552)
PER SHARE AMOUNTS:		
(Loss) before extraordinary item	$(.96)	$(1.28)
Pro forma (loss) before extraordinary item	(.97)	(1.28)
Net (loss)	$(.96)	$(1.59)
Pro forma net (loss)	(.97)	(1.59)

The effects of applying SFAS 123 in the above pro forma disclosure are not likely to be representative of the effects disclosed in future years as SFAS 123 does not apply to grants prior to 1995.

The fair value of each option granted during 1996 and 1995 is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: (1) expected volatility of 40.04% for both years, (2) risk-free interest rate equaling the 5-year treasury yield on the grant date, which ranged from 6.11% to 6.52% in 1996 and 5.97% to 7.06% in 1995, and (3) expected life of 5 years in both years. The Company has never declared dividends, nor does it currently expect to declare dividends in the foreseeable future.

Pursuant to the employment agreement between the Company and its chief executive officer, the Company issued 35,000 shares of common stock to its chief executive officer. These shares carry voting and dividend rights; however sale of the shares is restricted prior to vesting. Subject to continued employment, vesting occurs on March 27, 1999. The shares issued under the employment agreement have been recorded at fair market value on the date of grant with a corresponding charge to stockholders' equity for the unearned portion of the award. The fair market value per share was $3.50. The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to the plan totaled $31 during fiscal 1996.

The Company also has a stock compensation plan for the non-employee directors of the Company that was approved during fiscal 1996. These directors may elect to receive directors fees in the form of common stock of the Company based upon the average market price of the Company's common stock on the grant date. During fiscal 1996 30,386 shares of common stock were issued under this plan at $4.03 per share.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (dollars in thousands)

The following table presents the carrying value and estimated fair value as of December 26, 1996 of the Company's financial instruments. (Refer to Notes 3 and 9.)

	Carrying Value	Estimated Fair Value
Assets:		
Cash and equivalents	$ 41,794	$ 41,794
Foreign currency contracts	12,995	12,337
Liabilities:		
Long-term debt (excluding capital leases)	387,539	390,265

18. PATENT LITIGATION SETTLEMENT (dollars in thousands)

In 1989 certain competitors of Viskase filed a declaratory action challenging the validity and enforceability of a Viskase patent relating to casings used in the manufacture of food products. In May 1994, the trial court upheld the validity and enforceability of the Viskase patent and found infringement of the patent. Before the trial on damages was conducted, Viskase entered into agreements to settle the claims and grant licenses to the competitors. Under the terms of these agreements Viskase received $9,457 for past infringement and advance royalties and established royalty rates for future patent use.

19. RESEARCH AND DEVELOPMENT COSTS (dollars in thousands)

Research and development costs are expensed as incurred and totaled $6,841, $11,034 and $16,852 for 1996, 1995, and 1994, respectively.

20. RELATED PARTY TRANSACTIONS (dollars in thousands)

In March 1996, the Company terminated its management agreement with D.P. Kelly and Associates, L.P. (DPK). Upon termination of the agreement, the Company was required to pay the amount of $2,000 to DPK pursuant to provisions in the agreement. In addition to the above amount, the Company paid management fees to DPK during 1996 totaling $193. During each of 1995 and 1994, the Company paid DPK $770 for management services.

During fiscal 1996, 1995 and 1994, the Company made payments of approximately $18, $156, and $560, respectively, to an affiliate of DPK for the use of a jet aircraft on an as-needed basis.

During fiscal 1996, 1995, and 1994, the Company purchased product and services from affiliates of DPK in the amounts of approximately $904, $1,537, and $1,367, respectively. During fiscal 1996, 1995, and 1994, the Company sublet office space from DPK for which it paid approximately $139, $151, and $151, respectively, in rent. During fiscal 1996 and 1995, the Company reimbursed a non-affiliated medical plan in the aggregate amount of $41 and $79 for medical claims of Messrs. Kelly, Gustafson and Corcoran.

During fiscal years 1994 through 1996, the Company advanced funds to and made payments on behalf of DPK and Donald P. Kelly totaling approximately $171 for legal fees related to the litigation involving ARTRA Group Incorporated (refer to Note 14).

During fiscal 1996, the Company sold two autos to an affiliate of DPK. The total sum received was $135 and was based on the fair market value of the autos. A gain on the sale of $117 was recognized by the Company.

During fiscal years 1996, 1995 and 1994, Viskase Corporation, a wholly owned subsidiary of the Company, had sales of $19,795, $18,035 and $14,779, respectively, to Cargill, Inc. and its affiliates. Such sales were made in the ordinary course. During 1996 Cargill Financial Services Corporation had beneficial ownership of approximately 9.4% of the Company's outstanding Common Stock, and Gregory R. Page, President of the Red Meat Group of Excel Corp., a subsidiary of Cargill, Inc., is a director of the Company.

21. BUSINESS SEGMENT INFORMATION AND GEOGRAPHIC AREA INFORMATION (dollars in thousands)

Envirodyne primarily manufactures and sells polymeric food casings and plastic packaging films and containers (food packaging products) and disposable foodservice supplies. The Company's operations are primarily in North, South America and Europe. Intercompany sales and charges (including royalties) have been reflected as appropriate in the following information. Other income for 1996, 1995, and 1994 includes net foreign exchange transaction gains (losses) of approximately $687, $(61), and $2,707, respectively.

Business Segment Information

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Net sales:			
Food packaging products	$572,653	$574,266	$530,179
Disposable foodservice supplies	78,865	76,138	68,996
Other and eliminations	(162)	(192)	(146)
	$651,356	$650,212	$599,029
Earnings before income taxes:			
Operating income:			
Food packaging products	$37,310	$39,183	$ 48,145
Disposable foodservice supplies	7,342	4,959	6,514
Unallocated expenses, net -- primarily corporate	(4,962)	(6,007)	(5,982)
	39,690	38,135	48,677
Interest expense, net	56,997	56,666	49,207
Other expense (income), net	3,075	1,710	(1,668)
Minority interest in loss of subsidiary			50
	$(20,382)	$(20,241)	$ 1,188
Identifiable assets:			
Food packaging products	$762,233	$796,655	$814,731
Disposable foodservice supplies	69,725	69,812	71,530
Corporate and other, primarily cash equivalents	41,789	33,100	10,375
	$873,747	$899,567	$896,636
Depreciation and amortization under capital lease and amortization of intangibles expense:			
Food packaging products	$53,413	$51,404	$ 47,207
Disposable foodservice supplies	4,949	4,581	4,125
Corporate and other	58	76	55
	$58,420	$56,061	$ 51,387
Capital expenditures:			
Food packaging products	$32,934	$30,744	$ 28,534
Disposable foodservice supplies	4,135	3,687	4,012
Corporate and other	4	34	20
	$37,073	$34,465	$ 32,566

Geographic Area Information

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Net sales:			
North America	$423,092	$417,408	$407,761
South America	40,498	31,381	22,507
Europe	201,926	213,618	184,395
Other and eliminations	(14,160)	(12,195)	(15,634)
	$651,356	$650,212	$599,029
Operating profit:			
North America	$22,425	$22,504	$ 29,520
South America	1,883	524	(1,396)
Europe	15,445	15,373	20,553
Other and eliminations	(63)	(266)	
	$39,690	$38,135	$ 48,677
Identifiable assets:			
North America	$633,201	$645,504	$639,831
South America	33,007	31,873	27,527
Europe	205,446	219,802	229,278
Other and eliminations	2,093	2,388	
	$873,747	$899,567	$896,636
United States export sales: (reported in North America sales above)			
Asia	$28,300	$22,509	$10,362
South and Central America	17,056	18,691	18,656
South Africa			9,484
Other International	259	219	147
	$45,615	$41,419	$38,649

The total assets and net assets of foreign businesses were approximately $273,895 and $116,503 at December 26, 1996.

22. QUARTERLY DATA (unaudited)

Quarterly financial information for 1996 and 1995 is as follows (in thousands, except for per share amounts):

Fiscal 1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net Sales	$159,736	$165,747	$163,825	$162,048	$651,356
Operating Income	9,294	9,275	8,708	12,413	39,690
Net income (loss)	(5,927)	(4,165)	(3,924)	334	(13,682)
Net income (loss) per share	(.43)	(.29)	(.27)	.02	(.96)

Net income (loss) per share amounts are computed independently for each of the quarters presented using weighted average shares outstanding during each quarter. The sum of the quarterly per share amounts in 1996 do not equal the total for the year because of rounding and 1996 stock issuances, as shown on the Consolidated Statement of Stockholders' Equity.

Fiscal 1995	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net Sales	$155,824	$165,184	$166,688	$162,516	$650,212
Operating Income	8,689	10,089	8,653	10,704	38,135
Net (loss)	(3,895)	(7,513)	(4,475)	(5,636)	(21,519)
Net (loss) per share	(.29)	(.56)	(.33)	(.42)	(1.59)

The second quarter net (loss) includes an extraordinary loss of $(4.2) million on debt extinguishment.

Net income (loss) per share amounts are computed independently for each of the quarters presented using weighted average shares outstanding during each quarter. The sum of the quarterly per share amounts in 1995 do not equal the total for the year because of rounding and 1995 stock issuances, as shown on the Consolidated Statement of Stockholders' Equity.

23. SUBSEQUENT EVENTS (dollars in thousands)

In March 1997 the Company announced that it was exploring the potential sale of Viskase Corporation's PVC film business. Viskase's plants in Aurora, Ohio, and Sedgefield, England, would be affected by a sale. Net sales of PVC films in 1996 totaled approximately $54 million.

In March 1997 Viskase Corporation received a subpoena from the Antitrust Division of the United States Department of Justice relating to a grand jury investigation of the sausage casings industry. Viskase Corporation is cooperating fully with the investigation.

24. SUBSIDIARY GUARANTORS

Envirodyne's payment obligations under the Senior Secured Notes are fully and unconditionally guaranteed on a joint and several basis (collectively, Subsidiary Guarantees) by Viskase Corporation, Viskase Holding Corporation, Viskase Sales Corporation, Clear Shield National, Inc., Sandusky Plastics, Inc. and Sandusky Plastics of Delaware, Inc., each a direct or indirect wholly-owned subsidiary of Envirodyne and each a "Guarantor." These subsidiaries represent substantially all of the operations of Envirodyne conducted in the United States. The remaining subsidiaries of Envirodyne generally are foreign subsidiaries or otherwise relate to foreign operations.

The obligations of each Guarantor under its Subsidiary Guarantee are the senior obligation of such Guarantor, and are collateralized, subject to certain permitted liens, by substantially all of the domestic assets of the Guarantor and, in the case of Viskase Holding Corporation, by a pledge of 65% of the capital stock of Viskase Europe Limited. The Subsidiary Guarantees and security are shared with the lenders under the Revolving Credit Agreement on a pari passu basis and are subject to the priority interest of the holders of obligations under the Letter of Credit Facility, each pursuant to an intercreditor agreement.

The following consolidating condensed financial data illustrate the composition of the combined Guarantors. No single Guarantor has any significant legal restrictions on the ability of investors or creditors to obtain access to its assets in the event of default on the Subsidiary Guarantee other than its subordination to senior indebtedness described above. Separate financial statements of the Guarantors are not presented because management has determined that these would not be material to investors. Based on the book value and the market value of the pledged securities of Viskase Corporation, Viskase Sales Corporation, Clear Shield National, Inc., Sandusky Plastics, Inc. and Sandusky Plastics of Delaware, Inc., these Subsidiary Guarantors do not constitute a substantial portion of the collateral and, therefore, the separate financial statements of these subsidiaries have not been provided. Separate audited financial statements of Viskase Holding Corporation are being filed within.

Investments in subsidiaries are accounted for by the parent and Subsidiary Guarantors on the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are therefore reflected in the parent's and Subsidiary Guarantors' investment accounts and earnings. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 26, 1996

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations (1)	Consolidated Total
			(in thousands)		
ASSETS					
Current assets:					
Cash and equivalents	$ 25,785	$ (162)	$ 16,171		$ 41,794
Receivables and advances, net	61,960	70,258	46,032	$ (99,076)	79,174
Inventories		59,730	36,509	(1,227)	95,012
Other current assets	187	11,730	10,224		22,141
Total current assets	87,932	141,556	108,936	(100,303)	238,121
Property, plant and equipment including those under capital lease	133	420,396	158,175		578,704
Less accumulated depreciation and amortization	95	86,715	30,086		116,896
Property, plant and equipment, net	38	333,681	128,089		461,808
Deferred financing costs	5,144		758		5,902
Other assets		40,784	2,025		42,809
Investment in subsidiaries	64,433	123,236		(187,669)	
Excess reorganization value		87,702	37,405		125,107
	$157,547	$726,959	$277,213	$(287,972)	$873,747
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt including current portion of long-term debt and obligation under capital lease		$ 7,182	$ 4,109		$ 11,291
Accounts payable and advances	$ 35	85,156	50,900	$ (99,076)	37,015
Accrued liabilities	6,197	44,235	31,677		82,109
Total current liabilities	6,232	136,573	86,686	(99,076)	130,415
Long-term debt including obligation under capital lease	379,262	137,063	4,854		521,179
Accrued employee benefits		49,366	4,331		53,697
Deferred and noncurrent income taxes	29,088	10,824	24,899		64,811
Intercompany loans	(360,680)	340,000	20,681	(1)	
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $.01 par value; none outstanding					
Common stock, $.01 par value; 14,545,107 shares issued and outstanding	145	3	32,738	(32,741)	145
Paid in capital	135,100	87,899	87,871	(175,770)	135,100
Accumulated earnings (deficit)	(38,813)	(42,050)	7,872	34,178	(38,813)
Cumulative foreign currency translation adjustments	7,305	7,281	7,281	(14,562)	7,305
Unearned restricted stock issued for future services	(92)				(92)
Total stockholders' equity	103,645	53,133	135,762	(188,895)	103,645
	$157,547	$726,959	$277,213	$(287,972)	$873,747

(1) Elimination of intercompany receivables, payables and investment accounts.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 28, 1995

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations (1)	Consolidated Total
			(in thousands)		
ASSETS					
Current assets:					
Cash and equivalents	$ 18,013	$ 486	$ 11,826		$ 30,325
Receivables and advances, net	52,462	70,458	57,082	$ (90,548)	89,454
Inventories		63,355	38,233	(2,114)	99,474
Other current assets	176	12,364	9,106		21,646
Total current assets	70,651	146,663	116,247	(92,662)	240,899
Property, plant and equipment including those under capital lease	261	394,813	150,417		545,491
Less accumulated depreciation and amortization	150	55,620	20,217		75,987
Property, plant and equipment, net	111	339,193	130,200		469,504
Deferred financing costs	7,048		1,042		8,090
Other assets		43,720	1,869		45,589
Investment in subsidiaries	77,766	117,578		(195,344)	
Excess reorganization value		94,968	40,517		135,485
	$155,576	$742,122	$289,875	$(288,006)	$899,567
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt including current portion of long-term debt and obligation under capital lease		$ 6,407	$ 6,097		$ 12,504
Accounts payable and advances	$ 80	78,848	50,737	$ (90,548)	39,117
Accrued liabilities	8,126	37,488	21,939		67,553
Total current liabilities	8,206	122,743	78,773	(90,548)	119,174
Long-term debt including obligation under capital lease	379,262	143,198	7,721		530,181
Accrued employee benefits		51,345	4,281		55,626
Deferred and noncurrent income taxes	34,088	17,507	25,895		77,490
Intercompany loans	(383,076)	340,000	43,083	(7)	
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $.01 par value; none outstanding					
Common stock, $.01 par value; 13,579,460 shares issued and outstanding	136	3	32,738	(32,741)	136
Paid in capital	134,864	87,899	87,871	(175,770)	134,864
Accumulated earnings (deficit)	(25,131)	(27,752)	2,334	25,418	(25,131)
Cumulative foreign currency translation adjustments	7,227	7,179	7,179	(14,358)	7,227
Total stockholders' equity	117,096	67,329	130,122	(197,451)	117,096
	$155,576	$742,122	$289,875	$(288,006)	$899,567

(1) Elimination of intercompany receivables, payables and investment accounts.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 26, 1996

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries (in thousands)	Eliminations	Consolidated Total
NET SALES		$418,732	$273,435	$(40,811)	$651,356
COSTS AND EXPENSES					
Cost of sales		322,422	207,520	(41,698)	488,244
Selling, general and administrative	$4,973	57,927	44,188		107,088
Amortization of intangibles and excess reorganization value		12,947	3,387		16,334
OPERATING INCOME (LOSS)	(4,973)	25,436	18,340	887	39,690
Interest income	1,061		507		1,568
Interest expense	43,504	12,813	2,248		58,565
Intercompany interest expense (income)	(40,596)	37,394	3,202		
Management fees (income)	(7,226)	5,704	1,522		
Other expense (income), net	850	646	1,579		3,075
Equity loss (income) in subsidiary	13,411	(5,538)		(7,873)	
INCOME (LOSS) BEFORE INCOME TAXES	(13,855)	(25,583)	10,296	8,760	(20,382)
Income tax provision (benefit)	(173)	(11,285)	4,758		(6,700)
NET INCOME (LOSS)	$(13,682)	$(14,298)	$ 5,538	$ 8,760	$(13,682)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING CASH FLOWS
FOR THE YEAR ENDED DECEMBER 26, 1996

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries (in thousands)	Eliminations	Consolidated Total
Net cash provided by (used in) operating activities	$(14,896)	$ 30,440	$ 40,780		$ 56,324
Cash flows from investing activities:					
Capital expenditures	(4)	(27,496)	(9,573)		(37,073)
Proceeds from sales of property, plant and equipment	136	1,767	453		2,356
Net cash provided by (used in) investing activities	132	(25,729)	(9,120)		(34,717)
Cash flows from financing activities:					
Issuance of common stock	153				153
Proceeds from revolving loan and long term borrowings		1,130	1,056		2,186
Deferred financing costs	(142)				(142)
Repayment of revolving loan, long-term borrowings and capital lease obligations		(6,489)	(5,216)		(11,705)
Increase (decrease) in Envirodyne loan and advances	22,525		(22,525)		
Net cash provided by (used in) financing activities	22,536	(5,359)	(26,685)		(9,508)
Effect of currency exchange rate changes on cash			(630)		(630)
Net increase (decrease) in cash and equivalents	7,772	(648)	4,345		11,469
Cash and equivalents at beginning of period	18,013	486	11,826		30,325
Cash and equivalents at end of period	$ 25,785	$ (162)	$ 16,171		$ 41,794

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 28, 1995

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
			(in thousands)		
NET SALES		$417,756	$267,212	$(34,756)	$650,212
COSTS AND EXPENSES					
Cost of sales		312,419	207,232	(34,603)	485,048
Selling, general and administrative	$ 6,004	65,318	39,908		111,230
Amortization of intangibles and excess reorganization value		12,466	3,333		15,799
OPERATING INCOME (LOSS)	(6,004)	27,553	16,739	(153)	38,135
Interest income	203	12	455		670
Interest expense	40,081	13,902	3,353		57,336
Intercompany interest expense (income)	(38,218)	34,007	4,211		
Management fees (income)	(8,086)	6,377	1,709		
Other expense (income), net	(2,400)	52	4,058		1,710
Equity loss (income) in subsidiary	19,571	216		(19,787)	
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(16,749)	(26,989)	3,863	19,634	(20,241)
Income tax provision (benefit)	1,264	(7,570)	3,388		(2,918)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(18,013)	(19,419)	475	19,634	(17,323)
Extraordinary loss, net of tax	3,506		690		4,196
NET (LOSS)	$(21,519)	$(19,419)	$ (215)	$ 19,634	$(21,519)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING CASH FLOWS
FOR THE YEAR ENDED DECEMBER 28, 1995

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
			(in thousands)		
Net cash provided by (used in) operating activities	$(13,276)	$ 32,242	$ 20,001		$ 38,967
Cash flows from investing activities:					
Capital expenditures	(34)	(27,842)	(6,589)		(34,465)
Proceeds from sale of property, plant and equipment		39	47		86
Net cash (used in) investing activities	(34)	(27,803)	(6,542)		(34,379)
Cash flows from financing activities:					
Proceeds from revolving loan and long term borrowings	164,000	1,706	42,216		207,922
Deferred financing costs	(6,721)		(1,166)		(7,887)
Repayment of revolving loan, long-term borrowings and capital lease obligations	(123,275)	(7,512)	(50,588)		(181,375)
Increase (decrease) in Envirodyne loan and advances	(3,236)		3,236		
Net cash provided by (used in) financing activities	30,768	(5,806)	(6,302)		18,660
Effect of currency exchange rate changes on cash			(212)		(212)
Net increase (decrease) in cash and equivalents	17,458	(1,367)	6,945		23,036
Cash and equivalents at beginning of period	555	1,853	4,881		7,289
Cash and equivalents at end of period	$ 18,013	$ 486	$ 11,826		$ 30,325

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 29, 1994

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
			(in thousands)		
NET SALES		$406,988	$220,787	$(28,746)	$599,029
Patent infringement settlement income		9,457			9,457
COSTS AND EXPENSES					
Cost of sales		295,356	168,891	(28,487)	435,760
Selling, general and administrative	$ 6,015	71,092	31,330		108,437
Amortization of intangibles and excess reorganization value		12,266	3,346		15,612
OPERATING INCOME (LOSS)	(6,015)	37,731	17,220	(259)	48,677
Interest income	13	46	248		307
Interest expense	31,937	14,124	3,453		49,514
Intercompany interest expense (income)	(35,077)	31,170	3,907		
Management fees (income)	(7,400)	6,544	856		
Other expense (income), net	(3,448)	7	1,923	(150)	(1,668)
Equity loss (income) in subsidiary	8,392	(2,549)		(5,843)	
Minority interest in loss of subsidiary				50	50
INCOME (LOSS) BEFORE INCOME TAXES	(406)	(11,519)	7,329	5,784	1,188
Income tax provision	3,206	(3,186)	4,780		4,800
NET INCOME (LOSS)	$ (3,612)	$ (8,333)	$ 2,549	$ 5,784	$ (3,612)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING CASH FLOWS
FOR THE YEAR ENDED DECEMBER 29, 1994

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
			(in thousands)		
Net cash provided by (used in) operating activities	$ (1,414)	$ 13,575	$ 11,125		$ 23,286
Cash flows from investing activities:					
Capital expenditures	(20)	(21,666)	(10,880)		(32,566)
Proceeds from sales of property, plant and equipment		239	120		359
Purchase of minority interest in subsidiary		(4,200)			(4,200)
Net cash (used in) investing activities	(20)	(25,627)	(10,760)		(36,407)
Cash flows from financing activities:					
Proceeds from revolving loan and long term borrowings	27,600		10,068		37,668
Deferred financing costs	(1,608)				(1,608)
Repayment of revolving loan, long-term borrowings and capital lease obligations	(8,325)	(5,180)	(9,112)		(22,617)
Increase (decrease) in Envirodyne loan and advances	(16,608)	17,163	(555)		
Net cash provided by (used in) financing activities	1,059	11,983	401		13,443
Effect of currency exchange rate changes on cash			(776)		(776)
Net (decrease) in cash and equivalents	(375)	(69)	(10)		(454)
Cash and equivalents at beginning of period	930	1,922	4,891		7,743
Cash and equivalents at end of period	$ 555	$ 1,853	$ 4,881		$ 7,289

Financial statement schedules required by Regulation S-X

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements:

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Viskase Holding Corporation

We have audited the consolidated financial statements and the financial statement schedules of Viskase Holding Corporation and Subsidiaries. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Viskase Holding Corporation and Subsidiaries as of December 26, 1996 and December 28, 1995, and the consolidated results of their operations and their cash flows for the period December 29, 1995 to December 26, 1996, December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion the schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

Chicago, Illinois
March 20, 1997

VISKASE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 26, 1996	December 28, 1995
	(in thousands)	
ASSETS		
Current assets:		
Cash and equivalents	$ 16,171	$ 11,826
Receivables, net	43,634	53,022
Receivables, affiliates	51,269	51,829
Inventories	36,509	38,233
Other current assets	10,224	9,106
Total current assets	157,807	164,016
Property, plant and equipment	158,175	150,417
Less accumulated depreciation	30,086	20,217
Property, plant and equipment, net	128,089	130,200
Deferred financing costs	758	1,042
Other assets	2,025	1,869
Excess reorganization value	37,405	40,517
	$326,084	$337,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt	$ 4,109	$ 6,097
Accounts payable	13,736	13,720
Accounts payable and advances, affiliates	51,891	54,152
Accrued liabilities	31,677	21,942
Total current liabilities	101,413	95,911
Long-term debt	4,854	7,721
Accrued employee benefits	4,331	4,281
Deferred and noncurrent income taxes	24,899	25,895
Intercompany loans	58,691	81,094
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1.00 par value, 1,000 shares authorized; 100 shares issued and outstanding		
Paid in capital	103,463	103,463
Retained earnings	21,152	12,100
Cumulative foreign currency translation adjustments	7,281	7,179
Total stockholders' equity	131,896	122,742
	$326,084	$337,644

The accompanying notes are an integral part of the consolidated financial statements.

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	52 weeks December 29, 1995 to December 26, 1996	52 weeks December 30, 1994 to December 28, 1995	52 weeks January 1, to December 29, 1994
	(in thousands, except for number of shares and per share amounts)		
NET SALES	$273,435	$267,212	$220,787
Patent infringement settlement income			9,457
COSTS AND EXPENSES			
Cost of sales	207,520	207,232	168,891
Selling, general and administrative	38,386	36,288	27,654
Amortization of intangibles and excess reorganization value	3,387	3,333	3,346
OPERATING INCOME	24,142	20,359	30,353
Interest income	507	455	248
Interest expense	2,248	3,353	3,453
Intercompany interest expense	3,202	4,199	3,861
Management fees	1,522	1,709	856
Other expense (income), net	1,579	3,754	2,518
Minority interest in loss of subsidiary			50
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	16,098	7,799	19,963
Income tax provision	7,046	4,947	10,025
INCOME BEFORE EXTRAORDINARY ITEM	9,052	2,852	9,938
Extraordinary loss, net of tax		690	
NET INCOME	$ 9,052	$ 2,162	$ 9,938
WEIGHTED AVERAGE COMMON SHARES	100	100	100
PER SHARE AMOUNTS:			
NET INCOME	$ 90,520	$ 21,620	$ 99,380

The accompanying notes are an integral part of the consolidated financial statements.

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock	Paid in Capital	Retained Earnings	Cumulative Foreign Currency Translation Adjustments	Total Stockholder's Equity
		(in thousands)			
Balance December 31, 1993		$ 82,686	$ 0	$ 0	$ 82,686
Net income			9,938		9,938
Capital contributions		16,056			16,056
Fresh start revaluation adjustments		4,721			4,721
Translation adjustments				3,912	3,912
Balance December 29, 1994		$103,463	$ 9,938	$3,912	$117,313
Net income			2,162		2,162
Translation adjustments				3,267	3,267
Balance December 28, 1995		$103,463	$12,100	$7,179	$122,742
Net income			9,052		9,052
Translation adjustments				102	102
Balance December 26, 1996		$103,463	$21,152	$7,281	$131,896

The accompanying notes are an integral part of the consolidated financial statements.

VISKASE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
	(in thousands)		
Cash flows from operating activities:			
Income before extraordinary item	$ 9,052	$ 2,852	$ 9,938
Extraordinary loss		690	
Net income	9,052	2,162	9,938
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10,687	11,202	9,018
Amortization of intangibles and excess reorganization value	3,387	3,333	3,346
Amortization of deferred financing fees and discount	227	208	210
Increase in deferred and noncurrent income taxes	393	2,098	128
Loss on debt extinguishment		1,030	
Foreign currency transaction loss		159	
Loss (gain) on sales of property, plant and equipment	(39)	30	32
Changes in operating assets and liabilities:			
Accounts receivable	11,078	(4,441)	(9,076)
Accounts receivable, affiliates	(1,802)	(2,847)	(18,214)
Inventories	(743)	7,224	(8,895)
Other current assets	(1,787)	(2,144)	(1,462)
Accounts payable and accrued liabilities	9,681	(6,926)	8,314
Accounts payable, affiliates	860	8,383	21,739
Other	(214)	(790)	288
Total adjustments	31,728	16,519	5,428
Net cash provided by operating activities	40,780	18,681	15,366
Cash flows from investing activities:			
Capital expenditures	(9,573)	(6,589)	(10,880)
Proceeds from sale of property, plant and equipment	453	47	120
Purchase of minority interest in subsidiary			(4,200)
Net cash (used in) investing activities	(9,120)	(6,542)	(14,960)
Cash flows from financing activities:			
Proceeds from revolving loan and long-term borrowings	1,056	42,216	10,068
Deferred financing costs		(1,166)	
Repayment of revolving loan and long-term borrowings	(5,216)	(50,588)	(9,112)
Increase (decrease) in Envirodyne loan and advances	(22,525)	3,236	(555)
Net cash provided by (used in) financing activities	(26,685)	(6,302)	401
Effect of currency exchange rate changes on cash	(630)	(212)	(776)
Net increase in cash and equivalents	4,345	5,625	31
Cash and equivalents at beginning of period	11,826	6,201	6,170
Cash and equivalents at end of period	$16,171	$ 11,826	$ 6,201

Supplemental cash flow information:			
Interest paid	$791	$1,919	$ 1,808
Income taxes paid	$1,209	$4,255	$ 3,548

Supplemental schedule of noncash investing and financing activities:

Fiscal 1994

Viskase S.A. and its subsidiary Viskase Canada Inc.'s capital increased by $16 million due to the forgiveness of an Envirodyne loan. Viskase Corporation transferred equipment totaling $1.5 million, $174 thousand and $2.1 million to Viskase S.A., Viskase de Mexico S.A. de C.V., and Viskase Brasil Embalagens Ltda, respectively.

Fiscal 1995

Viskase Corporation transferred equipment totaling $497 thousand to Viskase S.A. Viskase Holding Corporation contributed capital consisting of $250 thousand of equipment to Viskase de Mexico S.A. de C.V.

Fiscal 1996

Viskase Corporation transferred equipment totaling $441 thousand to Viskase de Mexico S.A. de C.V.

The accompanying notes are an integral part of the consolidated financial statements.

VISKASE HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Viskase Holding Corporation is a wholly owned subsidiary of Viskase Corporation. Viskase Corporation, in turn, is a wholly owned subsidiary of Envirodyne Industries, Inc. Viskase Holding Corporation serves as the direct or indirect parent company for the majority of Viskase Corporation's non-domestic operations. These subsidiaries are as follows:

Name of Subsidiary	Parent of Subsidiary	Country of Business
Viskase Argentina S.A.	Viskase Holding Corporation	Argentina
Viskase Australia Limited	Viskase Holding Corporation	Australia
Viskase Brasil Embalagens Ltda.	Viskase Holding Corporation	Brazil
Viskase Europe Limited	Viskase Holding Corporation	United Kingdom
Viskase de Mexico S.A. de C.V.	Viskase Holding Corporation	Mexico
Viskase S.A.	Viskase Europe Limited	France
Viskase Gmbh	Viskase S.A.	Germany
Viskase SPA	Viskase S.A.	Italy
Viskase Canada Inc.	Viskase S.A.	Canada
Viskase ZAO	Viskase S.A.	Russia
Viskase Holdings Limited	Viskase S.A.	United Kingdom
Filmco International Limited	Viskase Holdings Limited	United Kingdom
Viskase Limited	Viskase Holdings Limited	United Kingdom
Viskase (UK) Limited	Viskase Limited	United Kingdom
Envirodyne S.A.R.L.	Viskase (UK) Limited	France

Viskase Holding Corporation conducts its operations through its subsidiaries and, for the most part, has no assets or liabilities other than its investments, accounts receivable and payable with affiliates, and intercompany loan and advances.

On January 6, 1993, a group of bondholders filed an involuntary petition for reorganization of Envirodyne Industries, Inc. under Chapter 11 of the United States Bankruptcy Code. On January 7, 1993, several of the subsidiaries of Envirodyne Industries, Inc., including Viskase Holding Corporation, each filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). None of the subsidiaries of Viskase Holding Corporation entered into Chapter 11. On December 17, 1993, the Bankruptcy Court confirmed the First Amended Joint Plan of Reorganization as twice modified (Plan of Reorganization) with respect to Envirodyne Industries, Inc. (Envirodyne) and certain of its subsidiaries, including Viskase Holding Corporation. The Plan of Reorganization was consummated and Envirodyne and certain of its subsidiaries emerged from Chapter 11 on December 31, 1993 (Effective Date). For accounting purposes, the Plan of Reorganization was deemed to be effective as of December 31, 1993.

The Chapter 11 filing was related only to the Company's domestic operations and did not include the foreign subsidiaries and various inactive domestic subsidiaries.

2. NATURE OF BUSINESS

Viskase Holding Corporation's subsidiaries manufacture food packaging products. The operations of these subsidiaries are primarily in Europe and South and North America. Through its subsidiaries, the Company is a leading producer of cellulosic casings used in preparing and packaging processed meat products and is a major producer of heat shrinkable plastic bags and specialty films for packaging and preserving fresh and processed meat products, poultry and cheeses. The Company is also a leading international manufacturer of plasticized polyvinyl chloride (PVC) films, primarily for use in packaging food items.

International Operations

Viskase Holding Corporation's subsidiaries have seven manufacturing facilities located outside the continental United States, in Beauvais, France; Thaon, France; Lindsay, Ontario, Canada; Sedgefield, England (Great Britain); Swansea, Wales (Great Britain); Guarulhos, Brazil and Nuevo Laredo, Mexico.

International sales and operations may be subject to various risks including, but not limited to, possible unfavorable exchange rate fluctuations, political instability, governmental regulations (including import and export controls), restrictions on currency repatriation, embargoes, labor relations laws and the possibility of governmental expropriation. Viskase Holding Corporation's foreign operations generally are subject to taxes on the repatriation of funds.

International operations in certain parts of the world may be subject to international balance of payments difficulties which may raise the possibility of delay or loss in the collection of accounts receivable from sales to customers in those countries. Viskase Holding Corporation believes that its subsidiaries' allowance for doubtful accounts makes adequate provision for the collectibility of its receivables. Management believes that growth potential exists for many of Viskase's products outside the United States and that Viskase is well positioned to participate in these markets.

Sales and Distribution

Viskase Holding Corporation's subsidiaries' principal markets are in Europe, Latin America, North America and Asia Pacific.

The United Kingdom operation sells its PVC films directly and through distributors, primarily to the retail grocery and foodservice industries in Europe.

In Europe, Viskase Holding Corporation's subsidiaries operate casings service centers in Milan, Italy, Pulheim, Germany, and Moscow, Russia. The Company also operates a service center in Brisbane, Australia. These service centers provide finishing, inventory and delivery services to customers. The subsidiaries also use outside distributors to market their products to customers in Europe, Africa, Asia and Latin America.

Competition

From time to time, Viskase Holding Corporation's subsidiaries experience reduced market share or reduced profits due to price competition; however, management believes that such market conditions will not result in any long-term material loss of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of presentation

Effective in 1990 Envirodyne Industries, Inc. adopted a 52/53 week fiscal year ending on the last Thursday of December. Viskase Holding Corporation's 1993 financial statements include December 31, 1993 in order to present the effect of the consummation of the Plan of Reorganization.

(B) Principles of consolidation

The consolidated financial statements reflect the accounts of Viskase Holding Corporation and its subsidiaries. All significant intercompany transactions and balances between and among Viskase Holding Corporation and its subsidiaries have been eliminated in the consolidation.

Reclassifications have been made to the prior years' financial statements to conform to the 1996 presentation.

(C) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(D) Cash equivalents (dollars in thousands)

For purposes of the statement of cash flows, the Company considers cash equivalents to consist of all highly liquid debt investments purchased with an initial maturity of approximately three months or less. Due to the short-term nature of these instruments, the carrying values approximate the fair market value. Cash equivalents include $4,074 and $8,074 of short-term investments at December 26, 1996 and December 28, 1995, respectively.

(E) Inventories

Inventories, primarily foreign, are valued at the lower of first-in, first-out (FIFO) cost or market.

(F) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, property, plant and equipment was reported at the estimated fair value.

(G) Deferred financing costs

Deferred financing costs are amortized on a straight-line basis over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

(H) Excess reorganization value and excess investment over net assets acquired, net

Excess reorganization value is amortized on the straight-line method over 15 years.

The Company continues to evaluate the recoverability of excess reorganization value based on operating performance and undiscounted cash flows of the operating business units. Impairment will be recognized when the expected undiscounted future operating cash flows derived from such intangible is less than its carrying value. If impairment is identified, valuation techniques deemed appropriate under the particular circumstances will be used to determine the intangible's fair value. The loss will be measured based on the excess of carrying value over the determined fair value. The review for impairment is performed at least on a quarterly basis.

(I) Pensions

The Company's operations in Europe have defined benefit retirement plans covering substantially all salaried and full time hourly employees. Pension cost is computed using the projected unit credit method.

The Company's funding policy is consistent with funding requirements of the applicable foreign laws and regulations.

(J) Postemployment benefits

Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, the Company adopted SFAS No. 112 "Employers Accounting for Postemployment Benefits." The impact of adopting SFAS No. 112 was not material.

(K) Income taxes

Income taxes are accounted for in accordance with SFAS No. 109. Tax provisions and benefits are recorded at statutory rates for taxable items included in the consolidated statements of operations regardless of the period for which such items are reported for tax purposes. Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities for which income tax benefits will be realized in future years.

(L) Net income (loss) per share

Net income (loss) per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year.

(M) Revenue recognition

Sales to customers are recorded at the time of shipment net of discounts and allowances.

(N) Foreign currency contracts

The Company maintains a hedging program to partially hedge its forecasted foreign currency revenue cash flows. The hedging program principally addresses revenue cash flows within its European operations. The foreign exchange contracts are denominated predominantly in the major European currencies and have varying maturities up to eighteen months. The effect of this practice is to minimize the effect of foreign exchange rate movements on the Company's operating results. The Company's hedging activities do not subject the Company to additional exchange rate risk because gains and losses on these contracts offset losses and gains on the transactions being hedged. The cash flows from forward contracts accounted for as hedges of identifiable transactions or events are classified consistent with the cash flows from the transactions or events being hedged.

4. RECEIVABLES (dollars in thousands)

Receivables consisted primarily of trade accounts receivable and were net of allowances for doubtful accounts of $1,404 and $2,256 at December 26, 1996, and at December 28, 1995, respectively.

5. INVENTORIES (dollars in thousands)

Inventories consisted of:

	December 26, 1996	December 28, 1995
Raw materials	$ 3,728	$ 5,299
Work in process	11,395	13,342
Finished products	21,386	19,592
	$36,509	$38,233

Inventories were net of reserves for obsolete and slow moving inventory of $1,283 and $1,331 at December 26, 1996 and December 28, 1995, respectively.

6. PROPERTY, PLANT AND EQUIPMENT (dollars in thousands)

	December 26, 1996	December 28, 1995
Property, plant and equipment:		
Land and improvements	$ 5,394	$ 5,319
Buildings and improvements	30,349	30,236
Machinery and equipment	117,312	114,212
Construction in progress	4,916	283
Capital Leases:		
Machinery and equipment	204	367
	$158,175	$150,417

Maintenance and repairs charged to costs and expenses for 1996, 1995, and 1994 aggregated $8,374, $10,288 and $10,748, respectively. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years.

7. ACCRUED LIABILITIES (dollars in thousands)

Accrued liabilities were comprised of:

	December 26, 1996	December 28, 1995
Compensation and employee benefits	$10,287	$ 9,446
Taxes	6,073	1,585
Accrued volume and sales discounts	5,101	5,320
Inventory received not billed	2,805	1,205
Other	7,411	4,386
	$31,677	$21,942

8. DEBT OBLIGATIONS (dollars in thousands)

As described in Note 1, Chapter ll Reorganization Proceedings, Envirodyne and certain of its domestic Subsidiaries (including Viskase Holding Corporation) emerged from Chapter 11 on December 31, 1993.

On June 20, 1995, Envirodyne completed the sale of $160,000 aggregate principal amount of senior secured notes to certain institutional investors in a private placement. The senior secured notes were issued pursuant to an indenture dated June 20, 1995 (Indenture) and consist of (i) $151,500 of 12% Senior Secured Notes due 2000 and (ii) $8,500 of Floating Rate Senior Secured Notes due 2000 (collectively, the Senior Secured Notes). Envirodyne used the net proceeds of the offering primarily to (i) repay the Company's $86,125 domestic term loan, (ii) repay the $68,316 of obligations under the Company's domestic and foreign revolving loans and (iii) pay transaction fees and expenses. Concurrently with the June 20, 1995 placement, Envirodyne entered into a new $20,000 domestic revolving credit facility (Revolving Credit Facility) and a new $28,000 letter of credit facility (Letter of Credit Facility). The Senior Secured Notes and the obligations under the Revolving Credit Facility and the Letter of Credit Facility are guaranteed by Envirodyne's significant domestic subsidiaries and secured by a collateral pool (Collateral Pool) comprised of: (i) all domestic accounts receivable (including intercompany receivables) and inventory; (ii) all patents, trademarks and other intellectual property (subject to non-exclusive licensing agreements); (iii) substantially all domestic fixed assets (other than assets subject to a lease agreement with General Electric Capital Corporation); and (iv) a senior pledge of 100% of the capital stock of Envirodyne's significant domestic subsidiaries and 65% of the capital stock of Viskase S.A. Such guarantees and security are shared by the holders of the Senior Secured Notes and the holders of the obligations under the Revolving Credit Facility on a pari passu basis pursuant to an intercreditor agreement. Pursuant to such intercreditor agreement, the security interest of the holders of the obligations under the Letter of Credit Facility has priority over all other liens on the Collateral Pool.

The Company finances its working capital needs through a combination of cash generated through operations and borrowings local unsecured credit facilities and intercompany loans.

The Company recognized an extraordinary loss of $1,030 representing the write-off of deferred financing fees related to the June 20, 1995 debt refinancing. The extraordinary loss, net of applicable income taxes of $340, was included in the Company's Statement of Operations for the quarter ended June 29, 1995.

The Viskase Limited term facility is with a foreign financial institution. The term facility, which is collateralized by substantially all of the assets of Viskase Limited, bears a variable interest rate and is payable in 16 equal semiannual installments that began in December 1992.

Outstanding short-term and long-term debt consisted of:

	December 26, 1996	December 28, 1995
Short-term debt and current maturity of long-term debt:		
Current maturity of Viskase Limited Term Loan (4.7%)	$1,876	$2,033
Other	2,233	4,064
Total short-term debt	$4,109	$6,097
Long-term debt:		
Viskase Limited Term Loan (4.7%)	$4,690	$7,115
Other	164	606
Total long-term debt	$4,854	$7,721

The fair value of the Company's debt obligation is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for the debt of the same remaining maturities. The fair values of debt obligations approximated their carrying values.

Aggregate maturities of remaining long-term debt for each of the next five fiscal years are:

	Total
1997	$3,211
1998	1,981
1999	1,875
2000	939
2001	-

9. OPERATING LEASES (dollars in thousands)

The Company has operating lease agreements for machinery, equipment and facilities. The majority of the facilities leases require the Company to pay maintenance, insurance and real estate taxes.

Future minimum lease payments for operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 26, 1996, are:

1997	$ 745
1998	247
1999	129
2000	6
2001	3
Total thereafter	
Total minimum lease payments	$1,130

Total rent expense during 1996, 1995 and 1994 amounted to $2,905, $3,750, and $2,350, respectively.

10. RETIREMENT PLANS (dollars in thousands)

The Company maintains various pension and statutory separation pay plans for its European employees. The expense for these plans in 1996, 1995 and 1994 was $1,972, $1,383, and $1,043, respectively. As of their most recent valuation dates, in plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately $2,204; conversely, plan assets exceeded the vested benefits in certain other plans by approximately $2,569.

The Company's postretirement benefits are not material.

11. CONTINGENCIES (dollars in thousands)

In late 1993, Viskase commenced a legal action against American National Can Company (ANC) in Federal District Court for the Northern District of Illinois, Eastern Division, 93C7651. Viskase claimed that ANC was infringing on various Viskase patents relating to multi-layer barrier plastic films used for fresh red meat, processed meat and poultry product applications. On November 8, 1996, after a three week trial, a jury found that ANC had willfully infringed Viskase's patents and awarded Viskase $102.4 million in compensatory damages. On December 5, 1996, ANC posted a supersedeas bond in the amount of $108 million and the Court entered an order staying Viskase's enforcement of the judgment. The Court also entered an order permanently enjoining ANC from making or selling infringing products after December 23, 1996.

The judgment is not final and the parties are presently engaged in the post-judgment motion phase of the case. ANC has filed motions to reduce the damage award by at least $75 million or alternatively, grant ANC a new trial. Viskase is seeking a determination that the case be deemed "exceptional" and that the award be increased by approximately $46 million which includes compensatory damages for ANC's infringement during the period of October 1, 1996 through December 23, 1996 and additional damages for prejudgment interest, attorneys' fees and related expenses. Due to ANC's willful infringement of the patents, Viskase has asked the court to treble the compensatory award. These motions are all pending before the Court and rulings are expected in the second quarter 1997. Meanwhile post-judgment interest is accruing on the $102.4 million award from November 8, 1996 at an annual rate of 5.49%. The Company expects ANC to aggressively contest the award and to appeal any final judgment. The award and any pending claims for additional damages have not been recorded in the Company's financial statements.

The Company and its subsidiaries are involved in various legal proceedings arising out of its business and other environmental matters, none of which is expected to have a material adverse effect upon its results of operations, cash flows or financial position.

12. INCOME TAXES (dollars in thousands)

The provision (benefit) for income taxes consisted of:

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Current:			
Federal	$1,909	$1,316	$4,479
Foreign	4,365	950	4,652
State and local	379	243	766
	6,653	2,509	9,897
Deferred:			
Federal			
Foreign	393	2,098	128
State and local			
	393	2,098	128
	$ 7,046	$ 4,607	$10,025

A reconciliation from the statutory federal tax rate to the consolidated effective tax rate follows:

	December 29, 1995 to December 26, 1996	December 30, 1994 to December 28, 1995	January 1, to December 29, 1994
Statutory federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate due to:			
State and local taxes net of related federal tax benefit	1.5	2.3	2.5
Net effect of taxes relating to foreign operations	7.9	30.4	11.1
Other	(.6)	.4	1.6
Consolidated effective tax rate	43.8%	68.1%	50.2%

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1996 are as follows:

	Temporary Difference		Tax Effected	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation basis differences		$70,911		$25,206
Pension and healthcare		1,684		605
Other accruals, reserves, and other	$6,457	3,813	$2,363	1,451
	$6,457	$76,408	$2,363	$27,262

At December 26, 1996, the Company had $16,393 of undistributed earnings of foreign subsidiaries considered permanently invested for which deferred taxes have not been provided.

Domestic earnings or (losses) after extraordinary gain or loss and before income taxes were approximately $6,156, $3,937 and $12,634 in 1996, 1995 and 1994, respectively. Foreign earnings or (losses) before income taxes were approximately $9,942, $2,832 and $7,329 in 1996, 1995 and 1994, respectively.

13. RESEARCH AND DEVELOPMENT COSTS (dollars in thousands)

Research and development costs are expensed as incurred and totaled $1,282, $1,106, and $1,562, for 1996, 1995, and 1994, respectively.

14. RELATED PARTY TRANSACTIONS (dollars in thousands)

Intercompany loans and advances:

	December 26, 1996	December 28, 1995
Viskase S.A. 12% promissory note due to Envirodyne	$ 7,000	$25,142
Viskase Limited 12% promissory note due to Envirodyne	13,681	
Viskase S.A. promissory note due to Envirodyne		17,440
Accrued interest on Viskase S.A. promissory note		83
Viskase United Kingdom Limited promissory note due to Envirodyne, including accrued interest		419
Advances:		
Viskase Corporation to Viskase Holding Corporation	38,010	38,010
	$58,691	$81,094

The 12% promissory notes due to Envirodyne are payable on demand. Interest is payable semiannually on June 30 and December 31.

The Viskase S.A. promissory note due to Envirodyne was payable on demand and bore interest at a rate of 10.00%. The note was repaid in fiscal 1996.

The $2.5 million Viskase United Kingdom Limited promissory note due to Envirodyne was payable on demand and bore interest at a rate of 8.00%. The balance of the note was repaid in fiscal 1996.

The Viskase Corporation advance to Viskase Holding Corporation is payable on demand.

License Agreements

Viskase Holding Corporation has been granted the right to license Viskase Corporation's patents and technology pursuant to a license agreement between Viskase Corporation and Viskase Holding Corporation.

Intercompany transactions:

In 1996, 1995 and 1994, the Company was charged $999, $1,022 and $756, respectively, by Viskase Corporation for management services. In 1996, 1995 and 1994, the Company was charged $520, $687 and $100, respectively, by Envirodyne for management services.

During 1996, 1995 and 1994, the Company purchased semi-finished and finished inventory from Viskase Sales Corporation in the amount of $32,489, $26,953 and $23,114, respectively. In addition, during 1996, 1995 and 1994, the Company had sales of inventory to Viskase Sales Corporation in the amount of $7,842, $7,329 and $5,632, respectively.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying value and estimated fair value as of December 26, 1996 of the Company's financial instruments. (Refer to Notes 3 and 8.)

	Carrying Value	Estimated Fair Value
Assets:		
Cash and equivalents	$16,171	$16,171
Foreign currency contracts	12,995	12,337
Liabilities:		
Long-term debt	7,742	7,742

16. PATENT LITIGATION SETTLEMENT (dollars in thousands)

In 1989 certain competitors of Viskase filed a declaratory action challenging the validity and enforceability of a Viskase patent relating to casings used in the manufacture of food products. In May 1994, the trial court upheld the validity and enforceability of the Viskase patent and found infringement of the patent. Before the trial on damages was conducted, Viskase entered into agreements to settle the claims and grant licenses to the competitors. Under the terms of these agreements Viskase received $9,457 for past infringement and advance royalties and established royalty rates for future patent use.

17. SUBSEQUENT EVENTS (dollars in thousands)

In March 1997 the Company announced that it was exploring the potential sale of Viskase Corporation's PVC film business. Viskase's plants in Aurora, Ohio, and Sedgefield, England, would be affected by a sale. Net sales of PVC films in 1996 totaled approximately $54 million.

In March 1997, Viskase Corporation received a subpoena from the Antitrust Division of the United States Department of Justice relating to a grand jury investigation of the sausage casings industry. Viskase Corporation has cooperated fully with the investigation.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

	Description	Balance at Beginning of Period	Provision Charged to Expense	Write-offs	Recoveries	Other(1)	Balance at End of Period
1996	for the year ended December 26 Allowance for doubtful accounts	$3,224	$ 659	$(2,293)	$ 469	$ (8)	$2,051
1995	for the year ended December 28 Allowance for doubtful accounts	2,136	1,403	(472)	6	151	3,224
1994	for the year ended December 29 Allowance for doubtful accounts	2,872	939	(1,824)	21	128	2,136
1996	for the year ended December 26 Reserve for obsolete and slow moving inventory	3,818	1,805	(1,210)		(16)	4,397
1995	for the year ended December 28 Reserve for obsolete and slow moving inventory	5,353	1,264	(2,868)		69	3,818
1994	for the year ended December 29 Reserve for obsolete and slow moving inventory	5,425	2,936	(3,123)		115	5,353

(1) Foreign currency translation.

The exhibits indicated by an asterisk (*) are incorporated by reference.

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
3(a)*	-- Restated Certificate of Incorporation of Zapata filed with Secretary of State of Delaware May 3, 1994 (Exhibit 3(a) to Current Report on Form 8-K dated April 27, 1994 (File No. 1-4219)).
3(b)*	-- Certificate of Designation, Preferences and Rights of $1 Preference Stock (Exhibit 3(c) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1993 (File No. 1-4219)).
3(c)*	-- Certificate of Designation, Preferences and Rights of $100 Preference Stock (Exhibit 3(d) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1993 (File No. 1-4219)).
3(d)*++	-- By-laws of Zapata, as amended effective November 11, 1996.
10(a)*+	-- Zapata 1990 Stock Option Plan (Exhibit 10(b) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1990 (File No. 1-4219)).
10(b)*+	-- First Amendment to Zapata 1990 Stock Option Plan (Exhibit 10(c) to Zapata's Registration Statement on Form S-1 (Registration No. 33-40286)).
10(c)*+	-- Zapata Special Incentive Plan, as amended and restated effective February 6, 1992 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
10(d)*+	-- Zapata 1981 Stock Incentive Plan, as amended and restated effective February 12, 1986 (Exhibit 19(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1986 (File No. 1-4219)).
10(e)*+	-- Zapata Supplemental Pension Plan effective as of April 1, 1992 (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
10(f)*+	-- Zapata Annual Incentive Plan effective January 1, 1991 (Exhibit 10(h) to Zapata's Registration Statement on Form S-1 (Registration No. 33-40286)).
10(g)*+	-- Cimarron Gas Companies, Inc. Incentive Appreciation Plan, effective as of September 30, 1992 (Exhibit 2(c) to Zapata's Current Report on Form 8-K dated November 24, 1992 (File No. 1-4219)).
10(h)*+	-- Noncompetition Agreement dated as of November 9, 1993 by and among Zapata and Peter M. Holt and Benjamin D. Holt, Jr. (Exhibit 10(q) to Zapata's Annual Report on form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
10(i)*+	-- Termination Agreement between Cimarron Gas Companies, Inc. and James C. Jewett dated as of January 24, 1994 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1993 (File No. 1-4219)).
10(j)*+	-- Consulting Agreement dated as of July 1, 1994 between Zapata Corporation and Thomas H. Bowersox (Exhibit 10(w) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
10(k)*+	-- Consulting Agreement between Ronald C. Lassiter and Zapata dated as of July 15, 1994 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1994 (File No. 1-4219)).

10(l)*+	--	Employment Agreement between Lamar C. McIntyre and Zapata dated as of October 1, 1994 (Exhibit 10(v) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
10(m)*+	--	Purchase Agreement dated as of April 10, 1995 by and between Norex America, Inc. and Zapata relating to 2,250,000 shares of Zapata Common Stock (Exhibit 10(c) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1995 (File No. 1-4219)).
10(n)*+	--	Assignment and Assumption of Consulting Agreement effective as of July 1, 1995 by and between Zapata and Zapata Protein, Inc. (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1995 (File No. 1-4219)).
10(o)*	--	Stock Purchase Agreement dated as of August 7, 1995 between Zapata Corporation and Malcolm I. Glazer (Exhibit 10(o) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-4219)).
10(p)*+	--	Mutual Release Agreement dated as of December 1, 1995 by and among Zapata Corporation, Cimarron Gas Holding Company, Robert W. Jackson and the Robert W. Jackson Trust.
10(q)*	--	Purchase and Sale Agreement dated March 26, 1996 by and among Cimarron Gas Holding Company, Conoco Inc. and Enogex Products Corporation (Exhibit 2.1 to Zapata's Current Report on Form 8-K dated April 9, 1996 (File No. 1-4219)).
10(r)*	--	Amendment and Clarification of Purchase and Sale Agreement, Waiver and Closing Agreement dated April 9, 1996 (Exhibit 2.2 to Zapata's Current Report on Form 8-K dated April 9, 1996 (File No. 1-4219)).
10(s)*	--	Agreement and Plan of Merger dated as of June 4, 1996 among Zapata, Zapata Acquisition Corp. and Houlihan's (Exhibit 2.1 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(t)*	--	Standstill Agreement dated April 30, 1996 between Zapata and Malcolm I. Glazer (Exhibit 10.18 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(u)*	--	Irrevocable proxy dated June 4, 1996 granted by Malcolm I. Glazer to members of a Special Committee of the Board of Directors of Zapata (Exhibit 10.19 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(v)*	--	Supplemental Agreement dated June 4, 1996 between Malcolm I. Glazer and Zapata (Exhibit 10.20 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(w)*	--	1996 Long-Term Incentive Plan of Zapata (Exhibit 10.21 to Zapata's Registration Statement on Form S-4 (Reg. No. 333-06729)).
10(x)*+	--	Employment Agreement between Joseph L. von Rosenberg III and Zapata effective as of June 1, 1996..
10(y)	--	Indemnification Agreement between Zapata and certain directors and officers accompanied by Schedule pursuant to Rule 12b-31.
21*++	--	Subsidiaries of the Registrant.
23(a)*++	--	Consent of Huddleston & Co., Inc.
23(b)*++	--	Consent of Coopers & Lybrand L.L.P.
23(c)	--	Consent of Coopers & Lybrand L.L.P. with respect to the consolidated financial statements of Envirodyne Industries, Inc.
24*++	--	Powers of attorney.
27*++	--	Financial Data Schedule.

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+ Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to the requirements of Item 14(c) of Form 10-K.

++ Exhibits filed with the Company's Form 10-K for fiscal year ended September 30, 1996.

EXHIBIT 10 (y)

INDEMNIFICATION AGREEMENT

This Agreement, made and entered into this 9th day of November, 1995 ("Agreement"), by and between Zapata Corporation, a Delaware corporation ("Company"), and Joseph L. von Rosenberg III ("Indemnitee"):

WHEREAS, highly competent persons are becoming more reluctant to serve publicly-held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation; and

WHEREAS, the current impracticability of obtaining adequate insurance and the uncertainties relating to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board of Directors of the Company has determined that the inability to attract and retain such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future; and

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, Indemnitee is willing to serve, continue to serve and to take on additional services for or on behalf of the Company on the condition that he be so indemnified;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services by Indemnitee. Indemnitee agrees to serve as director and/or officer of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position.

Section 2. Indemnification - General. The Company shall indemnify, and advance Expenses (as hereinafter defined) to, Indemnitee (a) as provided in this Agreement and (b) to the fullest extent permitted by applicable law in effect on the date hereof and as amended from time to time. The rights of Indemnitee provided under the preceding sentence shall include, but shall not be limited to, the rights set forth in the other Sections of this Agreement.

Section 3. Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 3 if, by reason of his Corporate Status (as hereinafter defined), he is, or is threatened to be made, a party to any threatened, pending, or completed Proceeding (as hereinafter defined), other than a Proceeding by or in the right of the Company. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 4. Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of his Corporate Status, he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware, or the court in which such Proceeding shall have been brought or is pending, shall determine that such indemnification may be made.

Section 5. Indemnification for Expenses of a Party who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7. Advancement of Expenses. The Company shall advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any

Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses.

Section 8. Procedure for Determination of Entitlement to Indemnification.

a. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

b. Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 8(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control (as hereinafter defined) shall have occurred, by Independent Counsel (as hereinafter defined) in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; or (ii) if a Change of Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined); or (B) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; or (C) if so directed by the Board of Directors, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons, or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

c. In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 8(b) hereof, the Independent Counsel shall be selected as provided in this Section 8(c). If a Change of Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change of Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 17 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 8(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 8(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 8(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 8(c), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 10(a)(iii) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 9. Presumptions and Effect of Certain Proceedings.

a. If a Change of Control shall have occurred, in making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 8(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

b. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 10. Remedies of Indemnitee.

a. In the event that (i) a determination is made pursuant to Section 8 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 7 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 8(b) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5 or 6 of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 10(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 of this Agreement.

b. In the event that a determination shall have been made pursuant to Section 8(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 10 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. If a Change of Control shall have occurred, in any judicial proceeding or arbitration commenced pursuant to this Section 10 the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

c. If a determination shall have been made pursuant to Section 8(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 10, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

d. In the event that Indemnitee, pursuant to this Section 10, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all expenses (of the types described in the definition of Expenses in Section 17 of this Agreement) actually and reasonably incurred by him in such judicial adjudication or arbitration, but only if he prevails therein. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 11. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

a. The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the By-Laws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

b. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors and/or officers of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director and/or officer under such policy or policies.

c. In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

d. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 12. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director, officer, employee, or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company; or (b) the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 10 of this Agreement relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

Section 13. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 14. Except to Right of Indemnification or Advancement of Expenses. Notwithstanding any other provision of this Agreement, Indemnitee shall not be entitled to indemnification or advancement of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, or any claim therein prior to a Change in Control, unless the bringing of such Proceeding or making of such claim shall have been approved by the Board of Directors.

Section 15. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 16. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or the affect the construction thereof.

Section 17. Definitions. For purposes of this Agreement:

a. "Change of Control" means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934 (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the Effective Date (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 17, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

b. "Corporate Status" describes the status of a person who is or was a director and/or officer of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Company.

c. "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

d. "Effective Date" means November 9, 1995.

e. "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

f. "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

g. "Proceeding" includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, except one (i) initiated by an Indemnitee pursuant to Section 10 of this Agreement to enforce his rights under this Agreement or (ii) pending on or before the Effective Date, provided, however, that Proceeding shall include the lawsuit styled Elly Harwin v. Malcolm I. Glazer, Avram A. Glazer, Peter M. Holt, Ronald C. Lassiter, Robert V. Leffler, Jr., W. George Loar and Zapata Corporation; Civil Action No. 14473; In the Court of Chancery of the State of Delaware in and for New Castle County.

Section 18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder.

Section 20. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

a. If to Indemnitee to:

Joseph L. von Rosenberg III
Zapata Corporation
1717 St. James Place
Suite 550
P.O. Box 4240
Houston, Texas 77210-4240

EXHIBIT 10(y)

b. If to the Company, to:
Zapata Corporation
1717 St. James Place
Suite 550
P.O. Box 4240
Houston, Texas 77210-4240
Attention: General Counsel

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 21. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

Section 22. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ZAPATA CORPORATION
(the "COMPANY")

By:

Robert A. Gardiner
Vice President and Controller

ATTEST:

By:

Kenneth W. Robichau

"INDEMNITEE"

Joseph L. von Rosenberg III

SCHEDULE PURSUANT TO RULE 12b-31

The following directors and officers of Zapata are parties to indemnification agreements with Zapata in substantially the form filed as Exhibit 10(y).

Name	Date of Agreement
Avram A. Glazer	November 9, 1995
Malcolm I. Glazer	November 9, 1995
R. C. Lassiter	November 9, 1995
Robert V. Leffler, Jr.	November 9, 1995
W. George Loar	November 9, 1995
Sharon M. Brunner	November 9, 1995
Robert A. Gardiner	November 9, 1995
Lamar C. McIntyre	November 9, 1995
Kenneth W. Robichau	November 9, 1995
Joseph L. von Rosenberg III	November 9, 1995

EXHIBIT 23(c)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Zapata Corporation of Form S-3 (File 33-68034) and on Form S-8s (File Nos. 33-19085 and 33-45251) of our reports, dated March 20, 1997, on our audits of (a) the consolidated financial statements and financial statement schedules of Envirodyne Industries, Inc. and subsidiaries as of December 26, 1996 and December 28, 1995 and for the period December 29, 1995 to December 26, 1996, December 30, 1994 to December 28, 1995, and January 1 to December 29, 1994 and (b) the consolidated financial statements and financial statement schedules of Viskase Holding Corporation and subsidiaries as of December 26, 1996 and December 28, 1995 and for the period December 29, 1995 to December 26, 1996, December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994, which reports are included in this Form 10-K/A.

Coopers & Lybrand L.L.P.

Chicago, Illinois
April 17, 1997