Current Financial Reporting Trends:
A Qualitative Review of SEC Comment Letters
Current Financial Reporting Trends:
A Qualitative Review of SEC Comment Letters

Cheryl de Mesa Graziano
Vice President, Research and Operations
Financial Executives Research Foundation

Mark P. Holtzman
Assistant Professor of Accounting
Stillman School of Business, Seton Hall University

ferf
financial executives research foundation

the source for financial solutions

200 Campus Drive
P.O. Box 674
Florham Park, New Jersey 07932-0674
www.ferf.org

an affiliate of financial executives international
Current Financial Reporting Trends:  
A Qualitative Review of SEC Comment Letters

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose and Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>2</td>
</tr>
<tr>
<td>Review of Comment Letters</td>
<td></td>
</tr>
<tr>
<td>Methodology</td>
<td>3</td>
</tr>
<tr>
<td>Comment Letter Structure</td>
<td>3</td>
</tr>
<tr>
<td>Revenue Recognition</td>
<td>4</td>
</tr>
<tr>
<td>Internal Control Effectiveness</td>
<td>7</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>10</td>
</tr>
<tr>
<td>Segment Reporting</td>
<td>12</td>
</tr>
<tr>
<td>Derivative Accounting</td>
<td>13</td>
</tr>
<tr>
<td>Acquisition Accounting and Goodwill</td>
<td>17</td>
</tr>
<tr>
<td>Impairments/Disposal of Long-Lived Assets</td>
<td>19</td>
</tr>
<tr>
<td>Stock Option Accounting</td>
<td>20</td>
</tr>
<tr>
<td>Taxes</td>
<td>21</td>
</tr>
<tr>
<td>Conclusion</td>
<td>25</td>
</tr>
<tr>
<td>About the Authors and Financial Executives Research Foundation, Inc.</td>
<td>26</td>
</tr>
</tbody>
</table>
Current Financial Reporting Trends: 
A Qualitative Review of SEC Comment Letters

Purpose
When preparing financial statement footnotes and other disclosures, practitioners may need more than the guidance provided by Financial Accounting Standards Board (FASB) statements and U.S. Securities and Exchange Commission (SEC) rules. They may also need information about other companies' disclosures. By identifying and measuring the most common practices and variations of disclosures, this research can aid companies as they strive to improve the quality of their own disclosures. Based on a review of publicly available comment letters on the SEC Web site, this report provides a recap of reporting topics and trends.

Executive Summary
Financial Executives Research Foundation (FERF) selected all SEC comment letters issued during the first eight months of 2006. From this population, we filtered out all letters initiated in response to forms other than 10-K and 10-Q. We also filtered out all letters responding to prior comment letters. These resulting comment letters included 513 individual comments that we read. From these, we identified what we believe to be the most common comments made by the SEC:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Authoritative Guidance</th>
<th>Common Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Recognition on Multiple-element Contracts</td>
<td>Emerging Issues Task Force (EITF) Issue 00-21, Statement of Position (SOP) 97-2</td>
<td>Companies do not adequately describe the nature of multiple-element contracts, or how they are accounted for.</td>
</tr>
<tr>
<td>Internal Control Effectiveness Letter</td>
<td>Securities and Exchange Act Rule 13a-15(e)</td>
<td>Components missing from companies' internal control effectiveness letters. Also, inconsistencies between internal control letters, auditors' letters and other disclosures in SEC filings.</td>
</tr>
<tr>
<td>Non-GAAP Measures</td>
<td>Regulation G, Regulation S-K Item 10(e)</td>
<td>Missing reconciliation of Non-GAAP measures, reporting of Non-GAAP measures in GAAP financial statements.</td>
</tr>
<tr>
<td>Management's Discussion and Analysis</td>
<td>SEC Release 33-8350</td>
<td>Inadequate explanation for changes in financial statements, specific operational issues not discussed, inadequate discussion of critical accounting policies, items missing from table of contractual obligations.</td>
</tr>
<tr>
<td>Derivatives</td>
<td>SFAS No. 133</td>
<td>Inadequate disclosure of items that might be disclosed as derivatives.</td>
</tr>
<tr>
<td>Acquisition Accounting</td>
<td>SFAS No. 141</td>
<td>Questions about allocation of purchase price in a business acquisition.</td>
</tr>
<tr>
<td>Goodwill Impairment</td>
<td>SFAS No. 142</td>
<td>Inadequate disclosure of process for testing goodwill impairment, including determining the reporting unit for goodwill impairment tests Amortization or unexplained reductions of goodwill.</td>
</tr>
<tr>
<td>Impairments</td>
<td>SFAS No. 144</td>
<td>Lack of discussion of impairments in critical accounting policies, need for impairment of assets held for sale. Classification of gains or losses from sale of assets.</td>
</tr>
<tr>
<td>Stock Option Accounting</td>
<td>SFAS 123, 123R</td>
<td>Inadequate disclosure, especially lack of pro-forma income numbers.</td>
</tr>
</tbody>
</table>
Introduction

At the most recent Financial Executives Current Financial Reporting Issues (CFRI) conference held by Financial Executives International on November 17, 2006, Scott Taub, Deputy Chief Accountant, at the SEC at that time, referred to a record 1,200 restatements in 2005, with 2006 on track for more restatements in 2006. Though some may presume the restatements resulted from Sarbanes-Oxley Section 404 procedures, this is not necessarily conclusive, Taub noted, unless disclosed by the registrant.

However, what is known through research conducted by Glass Lewis, Huron Consulting and others, is that the cause of more than half of the restatements in 2006 was the misapplication of generally accepted accounting principles (GAAP), what Taub called “flat out errors.” Other reasons include issues related to adequate books and records, judgment errors (about one-third), non-GAAP industry practice, complexity or clarity of standards, and finally, deliberate misstatement or fraud (about 4-5 percent). Specific standards, many of which are being addressed in current FASB projects, most often cited in recent restatements include:

- SFAS No. 13, Accounting for Leases;
- SFAS 109, Accounting for Income Taxes;
- SEC Staff Accounting Bulletin (SAB) 101 on Revenue Recognition;
- SFAS 141, Business Combinations;
- SFAS 133, Accounting for Derivative Instruments and Hedging Activities;
- American Institute of Certified Public Accountants (AICPA) Accounting Research Bulletin No. 43, Restatement and Revision of Accounting Research Bulletins;
- EITF Issue 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock;
- SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets;
- SFAS 95, Statement of Cash Flows;
- EITF 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios;
- EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments; and
- Accounting Principles Board Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants.

At the CFRI conference, Carol Stacey, Chief Accountant, of the SEC’s Division of Corporate Finance (DCF), said that as of its fiscal year ended September 30, 2005, the commission conducted over 6,000 issuer reviews representing 51% of total issuers. The average time for initial comments on registration statements was 26.1 days. The number one comment from DCF continues to be related to revenue recognition. Other accounting, disclosure and reporting issues identified in comments relate to Management’s Discussion and Analysis (MD&A) (with emphasis on segment disclosures), classification issues (statement of cash flows), loss contingencies, FIN 48, derivatives and financial instruments and fair value determination.

In order to provide more information on these financial reporting issues as well as identify other issues for publicly held companies, FERF has selected a sample of recent SEC comment letters filed on the Commission’s Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) http://www.sec.gov/answers/edgarletters.htm. Of all the comment letters and responses posted to EDGAR in 2006, FERF looked at 513 comments received by various registrants. The comments were analyzed and categorized under several key areas, which are detailed in this report. Selected responses to those comment letters were also read.
Review of Comment Letters

Methodology
FERF selected all SEC comment letters issued during the first nine months of 2006. From this population of 3,133 we filtered out all letters initiated in response to forms other than 10-Ks, 10-Qs and 10-KSBs and 10-QSBs for small business issuers. We also filtered out all letters responding to prior comment letters. This resulted in a total of 94 letters.

For each letter, we collected the following:
- EDGAR filing date,
- Company name,
- Form to which comment(s) pertain (10-K, 10-Q, 10-KSB, 10-QSB),
- Date of letter, and
- Standard Industry Classification (SIC) code.

For the 513 individual SEC comments that we read, we collected the following:
- Comment heading
- Comment keyword(s), and
- References to all accounting standards, rules, or pronouncements.

Comment Letter Structure
Letters typically begin with the following standard paragraphs:

We have reviewed the above filings and have the following comments. Where indicated, we think you should revise your documents in response to these comments. If you disagree, we will consider your explanation as to why our comment is inapplicable or a revision is unnecessary. Please be as detailed as necessary in your explanation. In some of our comments, we may ask you to provide us with supplemental information so we may better understand your disclosure. After reviewing this information, we may or may not raise additional comments.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or on any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

In the actual letter, each comment is categorized under a general heading that refers to the specific section to which the comment relates.

Letters typically conclude with the following standard paragraphs:

Detailed cover letters greatly facilitate our review. As appropriate, please respond to these comments within 10 business days or tell us when you will provide us with a response. Please furnish a cover letter with your response that keys your responses to our comments and provides any requested information. Please file your cover letter on EDGAR. Please understand that we may have additional comments after reviewing your amendment and responses to our comments.

We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filings to be certain that the filing includes all information required under the Securities Exchange Act of 1934 and that they have provided all information investors require for an informed investment decision. Since the company and its management are in possession of all facts relating to a company’s disclosure, they are responsible for the accuracy and adequacy of the disclosures they have made.
In connection with responding to our comments, please provide, in writing, a statement from the company acknowledging that:

- The company is responsible for the adequacy and accuracy of the disclosure in the filings;
- Staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- The company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

In addition, please be advised that the Division of Enforcement has access to all information you provide to the staff of the Division of Corporation Finance in our review of your filing or in response to our comments on your filing.

You may contact the Staff Accountant, or Accounting Branch Chief if you have questions regarding these comments. In this regard, do not hesitate to also contact the Senior Assistant Chief Accountant.

Additionally, either the introductory or concluding paragraph asks companies to respond in electronic form under the label "corresp" within a period of 10-15 days of the date of the letter. For the selected companies for which responses were read, we found that the typical comment letter was resolved within two months. In all cases, each issuer should also receive a final letter once an SEC review is completed and comments have been resolved. In one instance an issuer submitted correspondence documenting its understanding of a telephone conversation that took place between the company's chief financial officer and the SEC branch chief.

The sections that follow provide specific examples of comments and one example of a response relating to a particular subject area. Each comment is accompanied with:

- A generic comment number based on the 513 comments collected,
- A reference to the SEC form to which each comment pertains, and
- The SIC code and SIC description for the registrant that received the comment letter.

Where applicable, each topic is accompanied with references to specific standards and Web links to where related accounting guidance can be accessed.

**Revenue Recognition**

In our sample, revenue recognition was frequently the reason for many SEC comments. The most frequently referenced accounting pronouncement was EITF 00-21, Revenue Arrangements with Multiple Deliverables [http://www.fasb.org/pdf/abs00-21.pdf](http://www.fasb.org/pdf/abs00-21.pdf). Examples of comments that referenced EITF 00-21 follow.

**Comment #264 – Form 10-KSB; SIC: 3670 Electronic Components & Accessories**

To the extent product sales entail post shipment obligations (installation, training, maintenance, service, etc…), tell us how your methods consider the requirements of EITF 00-21.

**Comment #306 – Form 10-K; SIC: 3537 Industrial Trucks, Tractors, Trailers & Stackers**

We note that you sell mining equipment which includes design, manufacturing and testing and that you also provide installation and maintenance in some locations. Tell us how your revenue practices consider the multiple element accounting requirements of EITF 00-21. If you believe that guidance is not applicable, please explain. To the extent applicable, future filings should clarify how you apply the guidance from the Abstract. To the extent applicable, also respond with respect to your other product lines.

**Comment #267 – Form 10-K; SIC: 3576 Computer Communications Equipment**
It is unclear from your response how you are accounting for all the technical support services you describe on page 8 of your Form 10-K (including ongoing technical assistance, training and technical support). Please clarify whether each of these services are only a component of the separate service contract the customer chooses to enter into or whether they are part of the standard warranty you provide. As previously requested, refer to EITF 00-21 to support your accounting for these multiple elements, clearly indicating how you allocate fees to each deliverable in your arrangement.


Comment #169 – Form 10-K; SIC: 3577 Computer Peripheral Equipment, NEC
We note your disclosure of your various hardware products, software products and services on pages 3 and 4. Tell us if you enter into multiple element arrangements and identify the elements included in each type of sales transaction. Describe your consideration of EITF 00-21 and SOP 97-2, as applicable, for arrangements that include multiple elements. Tell us how you apply the separation criteria in EITF 00-21 for those arrangements.

Comment #688 – Form 10-Q; SIC: 3576 Computer Communications Equipment
Please describe to us the software that is sold with, or embedded in, your products and indicate the extent to which you recognize revenue in accordance with SOP 97-2. Explain to us how you comply with SOP 97-2 for revenue that is recognized pursuant to that guidance. In addition, explain to us how you considered paragraph 2 of SOP 97-2 for arrangements that include software and are not accounted for under the SOP.

Comment #467 – Form 10-KSB; SIC: 7372 Services-Prepackaged Software
Tell us if integration or other services are provided in connection with software sales. If so, tell us if the integration entails significant development, modification or customization of your software as described in paragraph 8 of SOP 97-2. Also, tell us if services provided are considered essential to the functionality of the software. Describe how paragraphs 70-71 of SOP 97-2 are applied.

Comment #422 – Form 10-K; SIC: 3812 Search, Detection, Navigation, Guidance, Aeronautical Sys
Further, we also note that you enter into multiple element arrangements for which you account for such arrangements in accordance with EITF No. 00-21 and SOP No. 81-1. Please explain to us and revise future filings to describe the multiple elements typically involved in such arrangements and, for elements where fair value has been determined by the company, disclose the objective evidence used specifically in determining its respective fair value and its impact on the timing of revenue recognition.

In reference to an additional comment made in the same letter, the registrant was asked that revised disclosure consider:

(1) The types of products and services involved in transactions
(2) Whether vendor specific objective evidence of fair value (VSOE) has been established for any of the multiple elements and if so, identifying such elements and the method for which VSOE was established in accordance with SOP No. 97-2 and;
(3) How the establishment of VSOE for the any of the multiple element arrangements noted in (2) above affected the timing of your revenue recognition

This particular comment was resolved with the following response:

Response to Comment #422 – Form 10-K; SIC: 3812 Search, Detection, Navigation, Guidance, Aeronautical Sys
As suggested by the Staff, Management will revise future filings to clarify our revenue recognition policy to provide in clear and complete detail the information necessary for a reader to understand the application of the Company's revenue recognition methods relative to its various product and service offerings. Our proposed revision to our Summary of Significant Accounting Policies in future filings is provided below.

Filtration / Fluid Flow Operating Unit:
Within the Filtration / Fluid Flow operating unit, approximately 75% of operating unit revenues (30% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers.

Approximately 25% of operating unit revenues (10% of consolidated revenues) is recorded under the percentage-of-completion provisions of SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Products accounted for under SOP 81-1 include the design, development and manufacture of complex fluid control products, quiet valves, manifolds and systems primarily for the aerospace and military markets. For arrangements that are accounted for under SOP 81-1, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognizes these revenues and costs based on units delivered. The percentage-of-completion method of accounting involves the use of various estimating techniques of expected costs at completion.

Communications Segment:
Within the Communications segment, approximately 90% of the segment's revenue arrangements (30% of consolidated revenues) contain software components. Revenue under these arrangements is recognized in accordance with Statement of Position 97-2 (SOP 97-2), "Software Revenue Recognition," as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." The segment's software revenue arrangements generally include multiple products and services, or "elements" consisting of meter and substation hardware, meter reading system software, software support (post-contract customer support "PCS") and program management support. These arrangements typically require the Company to deliver software at the inception of the arrangement while the hardware, software support and program management support are delivered over the contractual deployment period. These revenue arrangements are divided into separate units of accounting if the delivered item(s) has value to the customer on a stand-alone basis, there is objective and reliable evidence of the fair value of the undelivered item(s) and delivery/performance of the undelivered item(s) is probable. For multiple element arrangements, revenue is allocated to the individual elements based on vendor-specific objective evidence of fair value ("VSOE") of the individual elements.

The application of these principles requires judgment, including the determination of whether a software arrangement includes multiple elements and estimates of the fair value of the elements. The VSOE of the undelivered elements is determined based on the historical evidence of stand-alone sales of these elements to customers. Hardware revenues are generally recognized at the time of shipment or receipt by customer depending upon contract terms. VSOE generally does not exist for the software element, therefore, the Company uses the residual method to recognize revenue when VSOE exists for all other undelivered elements. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue.

SOP 97-2 requires the seller of software that includes post-contract customer support (PCS) to establish VSOE of the undelivered element of the contract in order to account separately for the PCS revenue. The Company determines VSOE by a consistent pricing of PCS and PCS renewals as a percentage of the software license fees and by reference to contractual renewals, when the renewal terms are substantive. Revenues for PCS are recognized ratably over the maintenance term specified in the contract (generally in 12 monthly increments). Revenues for program management support are recognized when services have been provided. The Company
determines VSOE for program management support based on hourly rates when services are performed separately.

Deferred revenue is recorded for products or services that have not been provided but have been invoiced under contractual agreements or paid for by a customer, or when products or services have been provided but the criteria for revenue recognition have not been met. If there is a customer acceptance provision or there is uncertainty about customer acceptance, revenue is deferred until the customer has accepted the product or service.

Approximately 10% of segment revenues (4% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers. Products include the Eurovision digital video surveillance systems.

Test Segment:
Within the Test segment, approximately 65% of revenues (18% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers. Certain arrangements contain multiple elements which are accounted for under the provisions of EITF 00-21, “Revenue Arrangements with Multiple Deliverables.” The multiple elements generally consist of materials and installation services used in the construction and installation of standard shielded enclosures to measure and contain magnetic and electromagnetic energy. The installation process does not involve changes to the features or capabilities of the equipment and does not require proprietary information about the equipment in order for the installed equipment to perform to specifications. There is objective and reliable evidence of fair value for each of the units of accounting, as a result, the arrangement revenue is allocated to the separate units of accounting based on their relative fair values. Typically, fair value is the price of the deliverable when it is regularly sold on a stand-alone basis.

Approximately 35% of the segment’s revenues (10% of consolidated revenues) are recorded under the percentage-of-completion provisions of SOP 81-1, “Accounting for the Performance of Construction-Type and Certain Production-Type Contracts” due to the complex nature of the enclosures that are designed and produced under these contracts. Products accounted for under SOP 81-1 include the construction and installation of complex test chambers to a buyer’s specifications that provide its customers with the ability to measure and contain magnetic, electromagnetic and acoustic energy. As discussed above, for arrangements that are accounted for under SOP 81-1, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognizes these revenues and costs based on either (a) units delivered or (b) contract milestones.

If a reliable measure of output cannot be established, (which applies in less than 8% of Test segment revenues or 2% of consolidated revenues) input measures (e.g., costs incurred) are used to recognize revenue. Given the nature of the Company’s operations related to these contracts, costs incurred represent an appropriate measure of progress towards completion.

The percentage-of-completion method of accounting involves the use of various estimating techniques of expected costs at completion. These estimates are based on Management’s judgment and the Company’s extensive experience in developing these types of estimates.

Internal Control Effectiveness
This comment was repeated for eight companies in the sample with specific reference to Exchange Act Rule 13a-15(e) http://www.sec.gov/about/laws/sea34.pdf. Examples follow:

Comment #254 – Form 10-K; SIC: 4911 Electric Services
We note your disclosure that your “principal executive officer and principal financial officer concluded that your disclosure controls and procedures are effective to provide assurance that the information required to be disclosed by the Company in reports Filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified
in the rules and forms of the SEC." Please confirm to us, if true, that your officers concluded that your disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated to your management, including your chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. Otherwise, please explain to us in detail why your officers were unable to come to this conclusion. Refer to Exchange Act Rule 13a-15(e). In future filings please include this information in your discussion of disclosure controls and procedures.

Comment #373 – Form 10-K; SIC: 5140 Wholesale-Groceries & Related Products
You state that your management evaluated the effectiveness of your disclosure controls and procedures, as defined in Exchange Act Rule 13a-15 and 15d-15. However, your principal executive and financial officers only concluded that your disclosure controls and procedures were effective “in ensuring that information required to be disclosed in this annual report was recorded, processed, summarized and reported within the time periods required by rules and regulations of the SEC.” Please confirm for us, if true, that the same officers concluded the controls and procedures were effective in “ensur[ing] that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.” See Exchange Act Rule 13a-15(e). Revise future filings accordingly.

Comment #570 – Form 10-K; SIC: 5047 Wholesale-Medical, Dental & Hospital Equipment & Supplies
We note your principal executive and financial officers concluded that your disclosure controls and procedures were effective, “to ensure that all material information required to be disclosed by [you] in reports that [you] file or submit under the Exchange Act is recorded, processed, summarized and reported as specified in the SEC’s rules and forms.” Please revise future filings to also state, if true, whether the same officers concluded the controls and procedures were effective in “ensur[ing] that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.” See Exchange Act Rule 13a-15(e). Additionally, please confirm to us that your conclusion regarding effectiveness would not change had such statements been included in this filing.

Comment #268 – Form 10-Q; SIC: 3490 Miscellaneous Fabricated Metal Products
We note that your chief executive officer and chief financial officer concluded that your disclosure controls and procedures “are designed and were effective to give reasonable assurance that information we disclose in reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported...” This is an incomplete definition of disclosure controls and procedures per Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Please revise your disclosure to clarify, if true, that your officers concluded that your disclosure controls and procedures are effective to ensure that information required to be disclosed by you in the reports that you file or submit under the Exchange Act is accumulated and communicated to your management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Comment #688 – Form 10-Q; SIC: 3576 Computer Communications Equipment
We note your disclosure that your disclosure controls and procedures are effective to ensure that the information required to be disclosed “is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.” Exchange Act Rule 13a-15(e) also requires that you conclude whether your disclosure controls and procedures are designed to ensure that the “information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated to your management, including your chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.”
Please confirm, if true, that your disclosure controls and procedures met all of the requirements of the rule as of December 31, 2005 and confirm that you will conform your disclosure in future filings.

Comment #409 – Form 10-K; SIC: 3600 Electronic & Other Electrical Equipment (No Computer Equip)
We note that your “disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC’s rules and forms.” Please revise future filings to clarify, if true, that your officers concluded that your disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated to your management, including your chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. See Exchange Act Rule 13a-15(e).

This last comment was resolved with the following response:

Response to Comment #409 – Form 10-K; SIC: 3600 Electronic & Other Electrical Equipment (No Computer Equip)
[The company] maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to management, including the Company’s certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation performed, the Company’s certifying officers have concluded that the disclosure controls and procedures were effective as of [fiscal quarter end date], to provide reasonable assurance of the achievement of these objectives.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to report material information otherwise required to be set forth in the Company's reports."

Non-GAAP Measures
Comments in this area asked registrants to reconcile non-GAAP measures to GAAP measures, to explain how such measures are used, or to eliminate the measures altogether. All but one of the comments that follow referred to the Item 10 of Regulation S-K http://www.sec.gov/about/forms/regs-k.pdf for additional guidance. Additional authoritative accounting guidance referenced includes the Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures http://www.sec.gov/divisions/corpfin/faqs/nongaapfaq.htm and Final Rule: Conditions for Use of Non-GAAP Financial Measures (FR-65) http://www.sec.gov/rules/final/33-8176.htm.

Comment #686 – Form 10-K; SIC: 5812 Retail-Eating Places
We note that you present the non-GAAP measure "EBITDA" in your selected financial data and reconcile it to your operating earnings. Please note that we do not believe that operating earnings is the most comparable GAAP measure since EBITDA makes adjustments for items that are not included in operating income. In future filings, please revise to reconcile this measure to your net income. Refer to the guidance outlined in Question 15 of “Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures” included on the Commission’s website. Also, revise future filings to explain any additional purposes for which the Company’s management uses this non-GAAP financial measure. Refer to the requirements outlined in Item 10(e) of Regulation S-K.

Comment #527 – Form 10-K/A2; SIC: 2631 Paperboard Mills
We note that you disclose that your ability to borrow under the Senior Secured Credit Agreement is dependent on, among other things, your compliance with the financial ratio covenants, e.g., Consolidated Debt to Credit Agreement EBITDA Leverage Ratio and Credit Agreement EBITDA to
Consolidated Interest Expense Ratio, and that your ability to comply with such covenants is relevant to an understanding of liquidity. However, you then disclose a measure of Credit Agreement EBITDA, reconciled to Combined Loss Attributable to Common Stockholders (using actual results for 2004; pro forma results for 2003 and 2002), without presenting the ratios you reference as the basis for disclosure.

Given your emphasis on the ratios, the implication that compliance has on your ability to borrow under the credit agreement, and the extent to which you have not complied with the provisions of Item 10(e) of Regulation S-K, it would seem most appropriate to disclose the actual ratios achieved, rather than aggregate measures of Credit Agreement EBITDA (since these are not the covenants). Please revise your disclosure accordingly. Explain how you calculate the financial ratios, and disclose any instance of non-compliance with your financial ratio covenants. Any retention of pro forma ratios should be accompanied by disclosure substantiating their relevance and reliability.

Comment #237 – Form 10-K; SIC: 2300 Apparel & Other Finished Prods of Fabrics & Similar Matl
Please remove your presentation of Adjusted EBITDA, as this represents a non-GAAP measure. Non-GAAP measures may not be presented on the face of the financial statements or in the accompanying notes. Refer to Item 10(e)(1)(ii)(C) of Regulation S-K.

Comment #202 – Form 10-K; SIC: 7900 Services-Amusement & Recreation Services
In future filings, please delete the non-GAAP measure "Operating expenses excluding depreciation and amortization", as it does not comply with Item 10(e) of Regulation S-K. We refer you also to Question Nos. 8 and 9 of the Staff's "Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures", issued June 13, 2003.

Comment #392 – Form 10-K; SIC: 1311 Crude Petroleum & Natural Gas
We note that you include within your filing a measure for estimated future net revenue before income taxes, which represents a non-GAAP measure. As such, please provide all disclosures required by Item 10(e) of Regulation S-K. The disclosures should include reconciliation to the most direct comparable GAAP financial measure, which would be the standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities as set forth in paragraph 30 of SFAS 69.

Comment #282 – Form 10-K; SIC: 5812 Retail-Eating Places
It appears that your definition of EBITDA does not conform with the definition of EBITDA within Item 10(e)(1)(ii)(A) of Regulation S-K. As such, your presentation of EBITDA does not meet the conditions for use specified in FR-65 and the Staff's Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures. Accordingly, please revise your presentation of non-GAAP measures to discontinue the use of the term EBITDA. However, we would not object to the use of adjusted EBITDA, provided that you comply with the aforementioned guidance.

Since many of the comments requested removal of Non-GAAP measures, the comments were resolved quickly with a response that future filings would not include non-GAAP terms.

Management’s Discussion and Analysis

Comment #165 – Form 10-Q; SIC: 3411 Metal Cans
We note that your accounts receivable balance increased 56% during the six months ending July 3, 2005. We further note that your receivable days sales outstanding has increased from 22.9 days at
December 31, 2004 to 33.9 days at July 3, 2005. Regarding your accounts receivable balances, tell us the following:

- The reasons for the increases in your accounts receivable balances in recent periods;
- The factors that led to the increase in days sales outstanding;
- The extent to which you have successfully collected these amounts subsequent to the balance sheet dates;
- Whether you had any significant delinquent or disputed accounts that you have written off; and,
- What consideration, if any, was given to disclosing the above information in your liquidity section of your Form 10-Q.

Please note that your liquidity section should include a detailed discussion and analysis regarding the trends and uncertainties surrounding the collectibility of accounts receivable, including why your day sales outstanding significantly increased when compared to the prior period. Refer to Item 303 (A) (1) of Regulation S-K for disclosure requirements and guidance as well as the Commission’s MD&A Interpretive Release 33-8350.

Comment #237 – Form 10-K; SIC: 2300 Apparel & Other Finishd Prods of Fabrics & Similar Matl
Where you describe two or more business reasons that contributed to a material change in a financial statement line item between periods in total and by segment, please quantify the extent to which each change contributed to the overall change in that line item. For example, with respect to the increase in net sales from fiscal 2003 to fiscal 2004, you should quantify the extent to which your focus on high-quality essential products, retail store growth, productivity improvements in retail stores, and a full year of revenue from [x] brand each contributed to the overall change. Please also disclose the extent to which increases in revenues are attributable to price and/or volume increases. See Item 303(a) of Regulation S-K and SEC Release No. 33-8350.

Comment #688 – Form 10-Q; SIC: 3576 Computer Communications Equipment
You disclose that cash provided by operations is one of your principal sources of cash yet your discussion of operating cash flow is limited. When preparing the discussion and analysis of operating cash flows, you should address material changes in the underlying drivers that affect these cash flows. These disclosures should also include a discussion of the underlying reasons for changes in working capital items that affect operating cash flows. For example, how have you considered expanding your disclosure to address the underlying factors that resulted in the $1.1 million decrease in cash flows related to other current liabilities? As part of your response, please tell us how you considered the guidance of Section IV.B.1 of SEC Release 33-8350.

The previous comment was resolved with the following response:

Response to Comment #688 – Form 10-Q; SIC: 3576 Computer Communications Equipment
We believe that our disclosure is consistent with the requirements of SEC Release No. 33-8350 and other applicable authoritative guidance. However, we intend to improve the overall quality of our future disclosures by improving the organization of our disclosure and consolidating the disclosure regarding our cash flow.

We specifically have considered the guidance in Section IV.B.1 of SEC Release No. 33-8350 while preparing our discussion of liquidity and capital resources. Our statements of cash flows for the prior three fiscal years demonstrate that our business has changed significantly, during a period in which our revenues have remained relatively constant. The line items in our consolidated statements of cash flows describing our non-cash operating expenses and the net change in operating assets and liabilities were significantly less in number and in value during fiscal 2005 primarily as a result of a reduction in depreciation and amortization of purchased intangible assets and management’s efforts to improve our operations and enhance our liquidity and availability of capital resources.
The underlying reasons for changes in working capital and operating results are discussed in various locations throughout our disclosure. For example, as discussed on page 29, during fiscal 2005, we substantially reduced non-cash operating expenses through reductions in depreciation and amortization of purchased intangible assets. Further, it should be noted that the aggregate changes in operating assets and liabilities did not have a significant impact on cash used in operations during fiscal 2005, as outlined in the table of consolidated cash flow data on page 29. We describe throughout management’s discussion and analysis, numerous restructuring and operating changes designed to implement operating improvements and act as underlying drivers to improved results. (See, for example, paragraph 2 on p. 23)

In addition, in our discussion of liquidity and capital resources on page 31 we described the actions we took and the impact of such actions on liquidity and cash flows. We also describe the financial model we used in reducing expenses to improve our cash breakeven point.

We believe when viewed together, that this disclosure provides the reader with a meaningful understanding of our financial position including the changes over the applicable periods. We believe this presentation is preferable to a detailed accounting of all changes, account by account from balances or changes from fiscal 2005 to fiscal 2004.

By way of explanation to the Commission, we would point out that the consolidated balance sheet line item “other current liabilities” is comprised of accrued professional fees, accrued royalties, short-term capital lease obligations and other accrued liabilities. The use of $1.1 million in cash represents the timing of payments for these obligations and does not necessarily represent an underlying change in the business or use of cash.

**Segment Reporting**
The comments related to this typically cite SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information [http://www.fasb.org/pdf/fas131.pdf](http://www.fasb.org/pdf/fas131.pdf). In all of the following examples, specific paragraphs of SFAS 131 are referenced. The comment that follows also refers to Financial Reporting Release No. 36.

A review of the MD&A shows that you did not discuss the profitability measure of each segment consistent with the measure disclosed in your SFAS 131 segment information as is required by Financial Reporting Release No. 36 (Section 501.06). Please revise in future filings or advise. (Form 10-K; SIC: 4812 Radiotelephone Communications) (#701)

We note your disclosure regarding your consideration of SFAS 131, and conclusion that you operate in one business segment. However, based on your discussions throughout the document, it would appear that segment reporting would be necessary, either by branch, product line or geography. Specifically, you state that each branch is responsible for its own growth and profitability, and that employees are compensated based on the financial performance of the branch. You also disclose the fact that gross profits and operating income are available for each of the branches. As such, these branches appear to meet the definition of a segment per paragraph 10 of SFAS 131. Please tell us your basis for your apparent conclusion that segment disclosure is unnecessary, including your consideration of SFAS 131, or revise your disclosures accordingly. (Form 10-K; SIC: 4731 Arrangement of Transportation of Freight & Cargo) (#214)

You disclose that you operate in three segments, North American packaging, international packaging and aerospace and technologies. However, in your business section and MD&A you separately discuss product lines such as North American metal beverage containers, North American metal food containers and North American plastic containers. Please tell us the factors used to identify the Company’s reportable segments and explain why you believe that North American metal beverage, North American metal food and North American plastics are not separate reportable segments pursuant to paragraphs 10-17 of SFAS No. 131. See also paragraph 26 of SFAS 131. (Form 10-Q; SIC: 3411 Metal Cans) (#165)
Using the guidance in paragraph 10 of SFAS 131, tell us how you determine your operating segments and how your chief operating decision maker reviews this information. Specifically discuss the measure of profit and loss reviewed by the chief operating decision maker. As you may have aggregated several operating segments into two reportable segments, tell us how you determined that you met the criteria for aggregation in paragraph 17 of SFAS 131, including the requirement that the segments have similar economic characteristics. (Form 10-K; SIC: 8200 Services-Educational Services) (#523)

You state that for your two distinct operating segments, "the allocation models used to separate costs into these segments became misleading." Therefore, you separate your revenues but not the costs to the segments. Please tell us about the content of the financial information reviewed by you for each of the operating segments identified above. Please also explain how you considered SFAS 131, including paragraphs 25 - 28, in determining that your disclosures are compliant with segment reporting. In addition, tell us how your inability to accurately track the costs relating to your segments would not constitute a material weakness and how your officer concluded that your disclosure controls and procedures are effective. (Form 10-KSB; SIC: 3826 Laboratory Analytical Instruments) (#302)

Please tell us how this apparent segment meets the aggregation criteria set forth in paragraph 17 of SFAS 131 or revise your financial statements as appropriate. (Form 10-K; SIC: 4731 Arrangement of Transportation of Freight & Cargo) (#90)

The previous comment was resolved with the following response:

Response to Comment #90 – Form 10-K; SIC: 4731 Arrangement of Transportation of Freight & Cargo
Paragraph 16 of SFAS 131 states that “an enterprise shall report separately information about each operating segment that (a) has been identified in accordance with paragraphs 10-15 or that results from aggregating two or more of those segments in accordance with paragraphs 17 and (b) exceeds the quantitative thresholds in paragraph 18.” (Emphasis Added)

Paragraph 18 of SFAS 131 states that “an enterprise shall report separately information about an operating segment that meets any of the following thresholds:

a. Its reported revenue, including both sales to external and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all operating segments.

b. The absolute amount of its reported profit or loss is 10 percent or more of the greater, in absolute amount, of (1) the combined reported profit of all operating segments that did not report a loss or (2) the combined reported loss of all operating segments that did report a loss.

c. Its assets are 10 percent or more of the combined assets of all operating segments.”

For the fiscal year ended September 30, 2005, the [x] division had sales of $420,821, which equates to 0.61% of total consolidated sales. [X] had a loss from operations of $64,424, which in absolute term equates to 5.60% of the income from operations of the remaining consolidated entities. Lastly, [x] had total assets of $279,556, which equates to 2.20% of the total assets of the consolidated entities.

Inasmuch as [x] does not meet any of the criteria to be treated as a reportable segment, none of the reporting requirements under SFAS 131 apply. Therefore, no revisions need to be made to the financial statements for [x].

Derivative Accounting
All the examples provided for this topic refer to SFAS No. 133 http://www.fasb.org/pdf/fas133.pdf. Two of them refer to EITF 00-19 http://www.fasb.org/pdf/abs00-19.pdf.

Comment #348 – Form 10-KSB; SIC: 8741 Services-Management Services
Please tell us how you have applied the guidance in paragraphs 12 - 32 of EITF 00-19 in evaluating whether the conversion features of the convertible notes payable are embedded derivatives that you should separate from the debt host and account for at fair value under SFAS 133. While conventional convertible debt typically qualifies for the scope exception in paragraph 11(a) of SFAS 133, your debentures are convertible into a variable number of shares (at the rate of the lesser of a specific per share amount or 70% of an average trading price of your common stock). Thus, the debt is not conventionally convertible and does not appear to qualify for the scope exception from the provisions of SFAS 133. As such, it appears the debt conversion feature should be bifurcated from the host contract (the debt) and accounted for as a derivative at fair value, with changes in fair value recorded in earnings. Please also tell us how you plan to account for the newly issued convertible debentures and warrants disclosed in your Form 8-K filed on February 24, 2006 since these appear to contain similar conversion features and registration rights.

After an initial response letter and follow up comment letter, the original comment was resolved in the following second and final response letter:

**Second Response to Comment #348 – Form 10-KSB; SIC: 8741 Services-Management Services**

1. Assessing the newly issued and exchanged convertible debentures and warrants and how we will record the issuance of the new notes and new changed notes.

As the above comment points out, in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS 133"), and EITF 00-19, the holder’s conversion right provision, interest rate adjustment provision, liquidated damages clause, cash premium option, and the redemption option (collectively, the debt features) contained in the terms governing the Notes are not clearly and closely related to the characteristics of the Notes. Accordingly, the features qualified as embedded derivative instruments at issuance and, because they do not qualify for any scope exception within SFAS 133, they were required by SFAS 133 to be accounted for separately from the debt instrument and recorded as derivative financial instruments.

**Notes Issued and Debt Features**

Pursuant to the terms of the Notes, these notes are convertible at the option of the holder, at anytime on or prior to maturity. There is an additional interest rate adjustment feature, a liquidated damages clause, a cash premium option, as well as the redemption option. The debt features represents an embedded derivative that is required to be accounted for apart from the underlying Notes. At issuance of the Notes, the debt features had an estimated initial fair value which will be recorded as a discount to the Notes and a derivative liability on the consolidated balance sheet.

In subsequent periods, if the price of the security changes, the embedded derivative financial instrument related to the debt features will be adjusted to the fair value with the corresponding charge or credit to other expense or income.

The estimated fair value of the debt features will be determined using the probability weighted averaged expected cash flows / Lattice Model. The model uses several assumptions including: historical stock price volatility (utilizing a rolling 120 day period), risk-free interest rate (3.50%), remaining maturity, and the closing price of the Company’s common stock to determine estimated fair value of the derivative asset. In valuing the debt features at March 31, 2006, the company will use the closing price at March 31, 2006 and the respective conversion and exercise prices for the warrants.

The proceeds from the financing transaction will be allocated to the debt features and to the warrants based upon their fair values. After the latter allocations, the remaining value, if any, is allocated to the Note on the financial statements.

The debt discount will be accreted using the effective interest method over the term of the note.
The value of the discount on the converted notes on the books will be accreted over the term of the notes (two years).

The recorded value of the debt features related to the Notes can fluctuate significantly based on fluctuations in the fair value of the Company's common stock, as well as in the volatility of the stock price during the term used for observation and the term remaining for the warrants.

The significant fluctuations can create significant income and expense items on the financial statements of the company.

**Warrants Issued**
The estimated fair value of the warrants will be classified as a derivative instrument and recorded as a liability on the Company's balance sheet in accordance with current authoritative guidance. The estimated fair value of the warrants will be determined using the Black-Scholes option-pricing model with a closing price of on the date of issuance and the respective exercise price, a 7.0 year term, and the volatility factor relative to the date of issuance. The model uses several assumptions including: historical stock price volatility (utilizing a rolling 120 day period), risk-free interest rate (3.50%), remaining time till maturity, and the closing price of the Company's common stock to determine estimated fair value of the derivative liability.

**2. Recording of the paid notes, exchanged notes and terminated warrants**

**Paid Notes and old Notes that were exchanged into the current funding and terminated Warrants:**
All of the Company's old notes that were either paid off or exchanged and rolled into the new funding and all the existing warrants relating to past fundings were terminated. We have determined that the concerns addressed by EITF 00-19, as a result of the conversion feature in the convertible debentures and warrants, could not occur. By virtue of the fact that the old existing securities were paid off and/or exchanged for securities in the new funding and all the existing warrants were terminated, these securities did not trigger the contingent liabilities addressed in EITF 00-19. We have concluded that revising the reporting for these debt/equity instruments, after they have all been retired, would only confuse the readers of our financial statements while requiring the Company to incur significant legal and accounting costs.

**Reclassification of Existing Warrants**
There was one other warrant that needed to be addressed which was issued on March 31, 2005 in relation to an acquisition. The warrant was for the issuance of 5,000,000 shares at an exercise price of $0.003 per share and expired on 3/31/06. The fair value recorded in equity for this warrant was $14,000 during the year ended June 30, 2005. This warrant expired March 31, 2006 and was immaterial to the Company's financials as a whole as of June 30, 2005. Further, with the retirement of the toxic debt instruments, the $14,000 is currently properly recorded in equity.

**Fair Value of Debt Features and Warrants**
We have retained an outside CPA firm to calculate the fair value of the debt features and warrants who will be using the models discussed above for such calculation which will be part of our March 31, 2006 quarterly report.

**Comment #451 – Form 10-K; SIC: 6021 National Commercial Banks**
We refer to the interest rate swap agreements with notional amounts totaling $110 million disclosed in Note 4, "Interest Rate Risk" on page 44 of the financial statements of [x] as of September 30, 2003 in the Form S-4 filed on July 7, 2004. Considering the Company made an acquisition in October 2004 and that the interest rate swaps agreements expire on November 15, 2004 and March 18, 2005, please tell us and revise to provide the following disclosure:

- Provide the information required by paragraphs 44 to 47 of SFAS 133 for the interest rate swaps acquired by the Company as part of the acquisition.
- State the terms and market values of the floors and caps included in the interest rate swap agreements.
• Describe the accounting for interest rate swaps that were terminated prior to the expiration date, in accordance with paragraphs 32 and 33 of SFAS 133.
• Tell us and revise the footnote or MD&A, as appropriate to discuss how the derivative instruments qualified for hedge accounting under SFAS 133 and how your accounting policies comply with that standard, including the following:
  o The specific nature of the hedged assets and liabilities and if the hedge is a fair value or cash flow hedge.
  o Describe your formal documentation of the hedging relationships.
  o How you identify the hedge item or transaction and the hedge instrument.
  o Describe the quantitative measures of correlation you use to assess effectiveness of each hedge both at inception and on an ongoing basis.
  o Describe how you assess the ineffectiveness of the hedge.
  o Disclose when you perform these assessments.
  o Disclose where you present the gains and losses relating to hedge ineffectiveness in the statements of income and explain why that presentation is appropriate.
  o Describe the quantitative measures you use to assess effectiveness of each hedge both at inception and on an ongoing basis.
  o Explain how often you assess and how often you back test and how these determinations have resulted in no hedge ineffectiveness for the periods presented.
  o Describe and quantify the impact of your use of derivatives on interest income and expense.

Comment #682 – Form 10-K; SIC: 2020 Dairy Products
We note, on page 75, that you have recorded changes in the fair value of securities to accumulated other comprehensive income. We further note the following in your derivative commodity instruments policy on page 76, which appears to be inconsistent with your recording of changes in fair value of securities to accumulated other comprehensive income:
* Changes in the fair values of futures contracts are recognized in earnings; and
* Changes in the fair values of interest rate swaps designated and effective as fair value hedges are recorded in net earnings and are offset by corresponding changes in the fair value of the hedged debt.
Please clarify how you account for your derivative financial instruments, provide the disclosures required by paragraphs 44 to 47 of SFAS 133, and describe the financial statement line items where derivative activities are recorded, to the extent applicable and material.

Comment #570 – Form 10-K; SIC: 5047 Wholesale-Medical, Dental & Hospital Equipment & Supplies
Please tell us how you are accounting for the embedded conversion feature present in your convertible debt. In particular, tell us whether you have bifurcated the embedded conversion feature from the host contract and accounted for it as a mark-to-market derivative liability under SFAS 133 and why or why not.
In this regard, based on our understanding of the terms of the convertible debt, it would appear that the embedded conversion feature meets the three criteria in paragraph 12 of SFAS 133 for bifurcation from the host contract. If you disagree, please advise us in detail as to how you arrived at your conclusion.
Moreover, once bifurcated from the host contract, it would appear that the embedded conversion option should be treated as a mark-to-market derivative liability pursuant to the guidance in SFAS 133 regarding accounting for derivative instruments, unless the embedded conversion option qualifies for the paragraph 11(a) scope exception. If you believe the conversion option qualifies for the paragraph 11(a) scope exception, please tell us in detail how you arrived at this conclusion. In crafting your response, please note that this scope exception is a two step test, and both steps must be met to qualify.
The first step is to determine whether the instrument is indexed to a company’s own stock. Since exercise of the conversion option in this case is contingent on certain events, please tell us
whether the instrument is still considered to be solely indexed to the company’s own stock. Refer to EITF 01-6 for guidance in analyzing whether the conversion option is indexed solely to the company’s own stock.

The second step is to determine whether the embedded conversion option would be classified in stockholders’ equity if it were a freestanding instrument. To determine such classification, the instrument must be analyzed under EITF 00-19, unless the instrument qualifies for the scope exception in paragraph 4 of EITF 00-19. Based on the fact that the holder of the notes may realize the value of the conversion option in a variable number of shares, we do not believe that the conventional convertible exception applies. We also believe the fact that the holder will realize the value of the conversion option in a combination of cash and shares precludes characterization as conventional convertible. If you disagree, please tell us in detail how you arrived at this conclusion. If you agree that the instrument does not qualify for the conventional convertible exception, but you nonetheless believe that the embedded conversion option would be classified as equity if freestanding, please tell us in detail why you believe you meet each of the criteria in paragraphs 12 through 32 of EITF 00-19, all of which must be met in order for the instrument to be classified in equity. In light of 1) the potentially infinite number of shares which could be required in order to settle the conversion with the holder, and 2) the additional interest/liquidated damages that you must pay in the event of a registration default event, as defined, we are particularly interested to understand your analysis under paragraphs 14 through 24 of EITF 00-19.

We may have further comment after reviewing your response.

**Acquisition Accounting and Goodwill**


**Comment #556 – Form 10-KSB; SIC: 8741 Services-Management Services**

Please advise us of your basis in GAAP for recording the acquisition of [x] at the carryover basis of its previous owners. It does not appear that [x] is an entity under common control as discussed in EITF 02-5. Therefore it appears that the acquisition should be recorded at fair market value in accordance with SFAS 141.

**Comment #214 – Form 10-K; SIC: 4731 Arrangement of Transportation of Freight & Cargo**

Please describe to us the nature of the asset characterized as “employee lists” and provide your basis in GAAP for recognizing it as an intangible asset apart from goodwill. If this asset represents assembled workforce, consider the guidance set forth in paragraphs B168 and B169 of SFAS 141 when preparing your response.

**Comment #267 – Form 10-K; SIC: 3576 Computer Communications Equipment**

We note disclosure in your June 30, 2005 Form 10-Q that you recorded a payable for the contingent consideration of $1.0 million based on performance of the business. Tell us how your accounting for this contingent consideration complies with paragraphs 26 and 27 of SFAS 141. In this regard, clarify why you believe the outcome of the contingency is determinable beyond a reasonable doubt, particularly in light of your statements in your response to prior comment no. 5 that indicate the contingent consideration will most likely be ‘substantially less’ than $1.2 million.

**Comment #549 – Form 10-K; SIC: 7990 Services-Miscellaneous Amusement & Recreation**

We note from your disclosure on page 58 that you have reduced goodwill by $27.3 million due to adjustments to the [x] purchase price allocation. Supplementally explain to us and revise your disclosure to include the specific items for which the allocation period was extended, the contingencies known at the time of the acquisition for which the allocation period was extended, and the amount and nature of any adjustments made to the initial allocation. Refer to the guidance in paragraph 51 (h) of SFAS 141. Please also tell us the date upon which the purchase price was finalized and the date upon which you recorded the adjustment. Reconcile this adjustment to the
information disclosed in your fiscal 2003 Form 10-K. We are particularly interested in how it was presented in the schedule of changes in goodwill, Footnote 3, page 49 of the financial statements included in your Form 10-K for fiscal 2003. Please advise supplementally and in detail.

Comment #633 – Form 10-K; SIC: 4841 Cable & Other Pay Television Services
We note your discussion of your acquisition of [x] in markets served under your joint operating agreement. Tell us more about the terms of the acquisition, the preexisting joint operating agreement and how you applied the guidance in SFAS 141 and the consensus in EITF 04-1 in accounting for this transaction under the purchase method of accounting with gain recognition of $15.6 million. Disclose the nature of the preexisting relationship and the measurement of the amount of the settlement and the valuation used to determine the settlement amount as required by paragraph 8 of EITF 04-1.

Comment #301 – Form 10-K; SIC: 6022 State Commercial Banks
In addition to the annual testing of goodwill for impairments required by paragraph 26 of SFAS 142, please tell us and disclose in future filings the circumstances in which goodwill may be tested for impairment between annual tests as stated in paragraph 28 of SFAS 142.

Comment #7 – Form 10-K; SIC: 7389 Services-Business Services, NEC
Please tell us how you considered all of the factors in paragraph 11 of SFAS 142 in determining that your [x] trademark intangible asset has an indefinite life. In this regard please also describe any legal, regulatory, contractual, competitive, economic or other factors associated with this intangible asset and how you considered whether any of these factors limit the useful life of the intangible asset. Finally, please tell us how you determined the fair value including the assumptions and methodology used supporting the value assigned to this intangible asset.

In the response to the previous comment, the registrant reviewed the company’s strategy with regard to the strategy as it relates to the trademark. The response then went on to how the components of paragraph 11 of SFAS 142 applied to their specific example.

Response to Comment #7 – Form 10-K; SIC: 7389 Services-Business Services, NEC
We utilized paragraph 11 of SFAS 142 in our assessment process in determining that the [x] trademark intangible asset has an indefinite life, and the following is a summary of that analysis:

a. The expected use of the asset by the entity – We intend to continue to leverage our trademark in connection with providing our consumer-to-consumer money transfer services in order to continue growing our customer base and resulting revenue. As discussed above, we believe we can continue to generate future cash flows using the [x] trademark indefinitely.

b. The expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate – There are no other assets or groups of assets upon which our trademark is dependent.

c. Any legal, regulatory, or contractual provisions that may limit the useful life – The trademark is governed by United States federal law, which allows indefinite re-registration of trademarks. We are not aware of any regulatory or contractual provisions that would prevent such re-registration, or any other factors that may limit the useful life of the trademark. We intend to re-register the trademark indefinitely.

d. Any legal, regulatory, or contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost – As discussed above, the trademark is governed by United States federal law, which allows an indefinite number of 10-year renewals of trademark registration. We believe the cost of re-registration of the trademark is insignificant to the Company. According to the United States Patent and Trademark Office 2006 Fee Schedule, the cost of re-registration of a trademark is $400, and we do not believe attorney’s or other fees that might be incurred by the Company in connection with this re-registration will be substantial relative to the future cash flows we anticipate the [x]-branded service will generate.

e. The effects of obsolescence, demand, competition, and other economic factors – We believe the consumer-to-consumer money transfer services provided under the trademark will continue to
grow indefinitely, and we are not aware of other market-based factors that would lead us to believe the use of the trademark will be curtailed in the future, as described above.

f. The level of maintenance expenditures required to obtain the expected future cash flows from the asset – We do not believe that we will be required to incur any material maintenance expenditures to ensure the continued realization of expected future cash flows from the trademark.

As a result of our assessment, we neither believe these factors limit the useful life of the trademark intangible asset nor are we aware of any other factors that would limit the useful life of the trademark intangible asset. Accordingly, we believe that the trademark should have an indefinite life. As additional support for this conclusion, we considered the Exposure draft of Proposed FASB Staff Position No. 142-d. While we recognize that the conclusion in this FSP has not been ratified, the FASB staff has tentatively concluded, “Therefore, a perpetually renewable intangible asset … [for which] renewal was reasonably assured for the foreseeable future, would be accounted for as an indefinite-lived intangible asset…” We believe that this further supports our conclusion.

Finally, the initial valuation of the trademark was performed using the relief-from-royalty method of the income approach, using a 4% assumed royalty rate over an indefinite life. In selecting an appropriate royalty rate, consideration was given to market share, market recognition, profitability, and third party trademark license agreements in the industry or related industries. Estimated future royalty savings were tax-effected using a tax rate of 37.5%, which approximated our effective tax rate at the time of acquisition of the trademark, and were discounted at the [x] entities’ cost of equity at the time of the transaction, or 14.25%. In completing this evaluation, we were assisted by a professional third-party valuation firm.

Comment #214 – Form 10-K; SIC: 4731 Arrangement of Transportation of Freight & Cargo
You indicate that you evaluate goodwill on an enterprise wide basis, based on the fact that you manage and report your operations as one segment. However, it would appear that your branches would meet the criteria for a reporting unit, as there is discrete financial information available and management regularly views the operating results of the component. In addition, paragraph 31 of SFAS 142 specifies that an entity that is not required to report segment information may still be required to test goodwill at the reporting unit level. Please tell us how you have considered this in determining your accounting policy for assessing the potential impairment of goodwill. This comment should also be considered in conjunction with our comment addressing segment reporting.

Comment #467 – Form SIC: 7372 Services-Prepackaged Software
Your disclosures should address the requirements of paragraphs 42-47 of SFAS 142, including the following:
• when the goodwill amounts were recorded,
• how the amount recorded was determined,
• identify what acquisition resulted in the recording of goodwill including a specific description of the transaction
• address any goodwill impairments which have been recorded since the initial recording of the goodwill,
• address how you test for impairment and tell us why you believe there has been no further impairment in goodwill

Impairments/Disposal of Long-Lived Assets
All the examples provided for this topic refer to SFAS No. 144 http://www.fasb.org/pdf/fas144.pdf.

Comment #626 – Form 10-K; SIC: 6798 Real Estate Investment Trusts
With respect to your hotel properties held for sale and sold during the year, please tell us how you analyzed the conditions outlined in paragraph 42 of SFAS 144 in evaluating whether the properties qualified for reporting as discontinued operations. In addition, please advise us and expand your accounting policy disclosure to clarify how you determine whether the disposal of hotel properties should be accounted for as discontinued operations. If the reason these properties were not
accounted for as discontinued operations was because of the registrant’s continuing involvement with those properties as outlined in EITF 03-13, please clarify that to us and expand your accounting policy in future filings to clarify this. Please note that each property disposition typically represents a component of the business and as such is accounted for as discontinued operations under SFAS 144.

Comment #435 – Form 10-K; SIC: 5812 Retail-Eating Places
We note this category includes gains (losses) from disposal or write-off of property. In accordance with the guidance in paragraph 45 of SFAS 144 as well as footnote 68 in Staff Accounting Bulletin No. 104 (Topic 13), you should classify gains (losses) from the sale of assets within operating income (loss) in the consolidated statements of operations. Please revise accordingly in future filings.

Comment #202 – Form 10-K; SIC: 7900 Services-Amusement & Recreation Services
Reference is made to your classification of “gain on sale of land, buildings and equipment” as other income. In accordance with the guidance in paragraph 45 of SFAS No. 144 as well as footnote 68 in Staff Accounting Bulletin No. 104 (Topic 13), you should classify gains (as well as losses) from the sale of assets within “Operating Income” in your consolidated statements of earnings. Please revise accordingly in future filings.

Comment #409 – Form 10-K; SIC: 3600 Electronic & Other Electrical Equipment (No Computer Equip)
We note your critical accounting policy regarding long-lived assets, which states that “for those businesses monitored by management for impairment, their fair value would have to be lower by more than 20 percent before an impairment charge would be recognized.” Please describe the businesses and other assets that are monitored in this manner and tell us why it is appropriate to recognize an impairment charge only when the 20 percent threshold is exceeded. Refer to SFAS 144 in your response.

The previous comment was resolved with the following response:

Response to Comment #409 – Form 10-K; SIC: 3600 Electronic & Other Electrical Equipment (No Computer Equip)
The objective was to provide a qualitative and quantitative discussion about impairment of long-lived assets, particularly goodwill. We were not implying that there is no impairment unless fair value decreases by greater than 20 percent below carrying value. None of the Company’s businesses or other assets is evaluated in that manner. Our intention was to convey that the estimates of fair value for these businesses would have to be lower by more than 20 percent before their carrying value would exceed their fair value. As disclosed on pages 27 and 34 of the Annual Report (Exhibit 13), the Company’s policy is to record an impairment for the amount by which the carrying value of a long-lived asset exceeds its fair value in accordance with FAS 142 for goodwill and FAS 144 for other long-lived assets. We will ensure that this disclosure is clear in future filings.

Stock Option Accounting
The two examples provided for this topic refer to SFAS No. 123 or SFAS 123(R). Responses that resolved the comments are also given.

Comment #520 – Form 10-K; SIC: 3760 Guided Missiles & Space Vehicles & Parts
Please clarify your policy for recognizing compensation expense on the issuance of performance units. We note that you currently recognize the expense as the performance criteria are met. Tell us if you consider the probability of the performance condition being met and recognize compensation expense accordingly. Please refer to the guidance in SFAS 123 and SFAS 123(R) and advise.
**Response to Comment #520 – Form 10-K; SIC: 3760 Guided Missiles & Space Vehicles & Parts**

Performance units, which have a three-year term, are granted to senior management. During the term, the number of units is increased for dividends on each dividend payment date. At the end of the three-year term, the aggregate value of the performance units, as adjusted for performance criteria, is paid to the participants in cash based upon the market value of our stock on the last day of the three-year term.

**Comment #542 – Form 10-KSB; SIC: 7990 Services-Miscellaneous Amusement & Recreation**

In accordance with the guidance in paragraph 47(d) of SFAS 123, please disclose the following weighted-average information – (1) risk-free interest rate; (2) expected life; (3) expected volatility; and (4) expected dividends—used in determining an estimate of the fair value of the options.

**Response to Comment #542 – Form 10-KSB; SIC: 7990 Services-Miscellaneous Amusement & Recreation**

In future 10-K’s we will disclose the following weighted-average information: (1) risk-free interest rate; (2) expected life; (3) expected volatility; and (4) expected dividends - used in determining an estimate of the fair value of the options.

**Taxes**

The following comments request more information about changes in tax positions and allowances. Responses that resolved the comments are also given.

**Comment #336 – Form 10-K; SIC: 5531 Retail-Auto & Home Supply Stores**

We note you recognize deferred tax liabilities for anticipated tax audit issues. Please tell us the amount of each individual liability recorded as of each of your two most recent balance sheet dates. Explain the nature and underlying uncertainty surrounding the tax audit issues including why there is sufficient evidence to support a conclusion that it is more likely than not that a deferred tax liability will be sustained with the applicable tax authorities. Also tell us:

- Your consideration of any historical evidence of former tax audit conclusions with respect to the applicable laws and regulations for these tax uncertainties;
- If a tax opinion letter from your outside counsel, accounting firm or other party was used in your determination. If so, please include a discussion of the merits of each tax position under the applicable tax laws and regulations; and
- For the purpose of policy, tell us when you consider each uncertainty to be resolved. Include the amounts resolved and upheld or reversed and recognized as a tax benefit in your statements of income for the recent three year period.

**Response to Comment #336 – Form 10-K; SIC: 5531 Retail-Auto & Home Supply Stores**

As of January 30, 2005 and February 1, 2004 (the end of our two most recent fiscal years), we had recognized $2.0 million and $2.9 million of contingencies relating to income tax deductions. We will refer to these amounts as “reserves” for simplicity of discussion but we do not maintain a general tax “reserve” for tax contingencies.

We recognized these reserves based on our assessment of whether, and the extent to which, additional taxes will be due with respect to disallowance of a specific tax deduction. As stated, we do not maintain general tax reserves.

We have not disclosed these contingencies in the notes to our consolidated financial statements or management’s discussion and analysis of financial condition and results of operations in our Form 10-K because the matters are not quantitatively or qualitatively material to investors and they were properly reported within deferred taxes. These amounts represent less than 1% of our non-current liabilities and approximately 1% of stockholders equity at both balance sheet dates.

We reported these reserves as long term deferred tax liabilities in our consolidated balance sheets because the related deductions are included in net operating loss and tax credit carryforwards and an adjustment to these items would result in a reduction of our net operating loss or tax credit carryforward long term deferred tax assets and would not result in current income
tax payable. As such, no interest accrual is required, and we do not believe a penalty would apply to any of the filing positions. Once we utilize these net operating losses and credit carryforwards, we intend to reclassify any remaining reserves from our deferred tax liability to a tax contingency reserve outside of deferred taxes.

As we have a history of net operating losses, we have not been audited by the Internal Revenue Service ("IRS") and, accordingly, have no historical evidence of former tax audit conclusions with respect to the applicable laws and regulations for these tax uncertainties. In addition, we have not obtained tax opinion letters from outside professional firms regarding these uncertainties.

The IRS statute of limitations is three years from the filing date of the return in which a net operating loss is utilized. We currently anticipate that the uncertainty regarding the tax audit issues underlying the reserves would lapse during our fiscal 2010 year upon lapse of the statute. However, the actual timing will depend on when our net operating losses and credit carryforwards are actually utilized. Upon lapse of the statute of limitations, change in tax law, or our agreeing to the matter upon audit, we would adjust the reserve accordingly.

We have neither reversed nor recognized as a benefit any portion of these reserves during our most recent fiscal year. As disclosed in Note 13 to our consolidated financial statements in our most recent Form 10-K, we reversed reserves of $800,000 and $312,000 in the fiscal years ended February 1, 2004 (fiscal 2003) and February 2, 2003 (fiscal 2002), respectively. The fiscal 2003 adjustment related to the tax structure of a transaction that occurred in fiscal 1999 and the reserve reversal followed the expiration of the statute of limitations. The fiscal 2002 adjustment related to our deduction of certain transaction costs that the IRS may assert should be capitalized for tax purposes. We released our reserve for this item because the IRS issued guidance that supported our position on this matter.

The reserves of $2.0 million and $2.9 million referred to above relate to the following matters:

- **Acquisition Costs.** Certain costs associated with a 1996 acquisition of a majority ownership of our stock by an outside investor were paid by us and expensed for tax purposes. There is risk that upon audit by the tax authorities, these costs would be required to be capitalized. Successful assertion of this position would reduce our net operating loss carryforwards. As of January 30, 2005 and February 1, 2004, the amount of the reserve was $0.2 million.

- **Cancellation of Debt.** In 1994, a former affiliate of the Company went through a financial restructuring where certain debt was forgiven. Certain tax attributes (i.e., net operating loss carryforwards) of that affiliate were reduced to zero in order to exclude cancellation of debt income from gross income for federal tax purposes. The IRS could assert that the tax attributes should have been reduced on a consolidated basis as opposed to only for the affiliate that experienced the debt forgiveness. Successful assertion of this position would reduce our net operating loss carryforwards. As of January 30, 2005 and February 1, 2004, the amount of the reserve was $1.4 million.

- **Research and Experimentation Credits.** An uncertainty exists surrounding the sustainability of research and experimentation credits pertaining to certain internally developed software. These credits have never been utilized on any tax return. As of January 30, 2005 and February 1, 2004, the amount of the reserve was $0.1 million and $0.7 million, respectively. The reserve was reduced by $0.6 million in fiscal 2005 because (i) a portion of the reserve related to the activities of a subsidiary that was sold in fiscal 2005 and left the consolidated group, and (ii) another portion of the reserve related to expiration of certain tax credits before they could be realized. None of this reduction in the reserve affected our income tax expense in fiscal 2005.

- **Valuation of Assets.** An uncertainty exists surrounding the valuation (i.e., our tax basis) of assets received in the liquidation of a corporate joint venture. As of January 30, 2005 and February 1, 2004, the amount of the reserve was $0.3 million.

- **Other.** The remainder of our reserves at the end of fiscal 2004 covered tax uncertainties surrounding state net operating losses and other small uncertainties. As of February 1, 2004, amounts outstanding were $0.3 million. There was no amount outstanding for these matters as of January 30, 2005.

**Comment #653 – Form 10-K; SIC: 2531 Public Bldg & Related Furniture**

We note the disclosures concerning the tax valuation allowance and the changes in subsidiary tax status. You have indicated that you provide a full valuation allowance due to several factors, as
enumerated in your response dated August 19, 2005. On page 36, you state that the $573 million allowance generally represents loss carryforwards for which utilization is uncertain given the lack of sustained profitability and/or limited carryforward periods in certain countries. Further, it would appear that management’s analyses underlying the decisions to change the tax status of certain foreign subsidiaries are based, in part, on projected adverse future operating results. There is a concern that readers may not be able to reconcile management’s SFAS 109 critical accounting estimates with the assumptions supporting the statement on page 32 that you do not have any material assets whose recovery is at risk. Please provide clarifying disclosure in future filings that reconciles this apparent inconsistency.

Response to Comment #653 – Form 10-K; SIC: 2531 Public Bldg & Related Furniture
The Company will provide additional disclosures in future filings with the Commission to reconcile the apparent inconsistency noted above. It should be noted that the Company records its valuation allowance for each legal entity or consolidated group based on the tax rules applicable in the jurisdiction where the entity or group is domiciled and the criteria set forth in SFAS 109 that requires the Company to evaluate both positive and negative historical evidence as well as expected future events. In contrast, the Company reviews its long-lived assets for impairment in accordance with SFAS 144, which requires the Company to group assets and liabilities at the lowest level, for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, and evaluate the asset group against the sum of the undiscounted future cash flows. When reviewing long-lived assets for potential impairment, the Company’s analysis gives consideration to overall customer/platform cash flows, which may be across multiple plants, subsidiaries and geographies, as well as the redeployable nature of certain equipment among the Company’s automotive plants. These differences will be clarified in future filings with the Commission.

Comment #566 – Form 10-K SIC: 2030 Canned, Frozen & Preserved Fruit, Veg & Food Specialties
We note the decline in your effective tax rate for the three years presented and the impact of this trend on your income from continuing operations and related earnings per share. Describe if you reasonably expect this known trend to continue, and if so, how it will impact income from continuing operations and any known events that will cause a material change in this relationship, as required by Regulation S-K Item 303(a)(3)(ii).

Response to Comment #566 – Form 10-K SIC: 2030 Canned, Frozen & Preserved Fruit, Veg & Food Specialties
While we agree with the Staff’s observation regarding the decrease in our effective tax rate from 36.1% in 2003 to 30.5% in 2005, we believe more than two years of data are necessary for appropriate analysis before we could comment on changes being representative of a trend. Over the past 5 years our effective tax rate has been primarily impacted from tax consequences of changes in tax laws, corporate restructurings and most recently from changes in the capital structure in certain foreign subsidiaries, foreign tax credits and the settlement of tax audits.

At the time we prepared our Form 10-K for the year ended April 27, 2005, we anticipated, based on our budget for fiscal 2006, that the effective tax rate for fiscal year 2006 would be between 31.0% and 33.0% which is approximately the mid-point of the effective income tax rate for the past two years. While we continue to have a reasonable basis to believe that a downward movement in the effective tax rate will not continue, there could be events, such as further tax audit settlements, that could have a favorable impact on our effective tax rate. The timing of each settlement is not readily determinable. Likewise, other matters arising out of the normal course of business equally could have an adverse impact on our effective tax rate.

In our quarterly reports on Form 10-Q for the first and second quarters of fiscal year 2006 (which ended July 27, 2005 and October 26, 2005, respectively) we have disclosed the estimated effective tax rate for fiscal year 2006. In future filings if we reasonably expect a known trend to continue and
anticipate that such a trend may significantly impact future operating results, we will disclose the anticipated effective tax rate for the next fiscal year.
Conclusion

In this study we have summarized a review SEC comment letters, existing GAAP referred to in those letters, and provided many examples of actual disclosures. Companies can consider this information in preparing their annual reports and disclosures for their upcoming fiscal 2006 or 2007 year ends.

Additionally, the following accounting guidance not referenced in the examples highlighted in this report, may serve as additional resources:

- Final Rule no. 60, “SEC Cautionary Advice Regarding Disclosure About Critical Accounting Policies,” and

A more detailed analysis of these rules is available in the following FERF reports:


Other SEC Resources include:

- Current Issues and Rulemaking Projects Quarterly Updates
- Frequently Requested Accounting and Financial Reporting Interpretations and Guidance
- International Reporting and Disclosure Issues
- Summary by the Division of Corporation Finance of Significant Issues Addressed in the Review of the Periodic Reports of the Fortune 500 Companies
- Guidance for Consulting with the Office of the Chief Accountant http://www.sec.gov/info/accountants/ocasubguidance.htm
About the Authors

Cheryl de Mesa Graziano is a certified public accountant and Vice President of Research and Operations at Financial Executives Research Foundation, Inc. She has a Bachelor of Business Administration from Baruch College, City University of New York and a Master of Science in journalism from Iona College. She began her career at Coopers & Lybrand and went on to several private-sector positions, including controller and CFO. She has worked for CNBC, Perseus Books and Bi-Logix, Inc.

Mark P. Holtzman, is Assistant Professor of Accounting at the Stillman School of Business, Seton Hall University, South Orange, NJ. After he received a Bachelor in Business Administration at Hofstra University, he began his accounting career in the New York office of Deloitte & Touche. He later earned a PhD in accounting at The University of Texas at Austin. Dr. Holtzman has published articles in The CPA Journal, Research in Accounting Regulation, Strategic Finance, and The Accounting Historian’s Journal. He can be reached at holtzmma@shu.edu.

The authors would like to acknowledge Tiffany McCann, who provided research assistance for this project.

About Financial Executives Research Foundation, Inc.

Financial Executives Research Foundation, Inc. is the research affiliate of Financial Executives International. Financial Executives Research Foundation is the non-profit 501(c)(3) research affiliate of FEI. FERF researchers identify key financial issues and develop impartial, timely research reports for FEI members and non-members alike, in a variety of publication formats. The Foundation relies primarily on voluntary tax-deductible contributions from corporations and individuals.

The views set forth in this publication are those of the author and do not necessarily represent those of the Financial Executives Research Foundation Board as a whole, individual trustees, employees, or the members of the Advisory Committee. Financial Executives Research Foundation shall be held harmless against any claims, demands, suits, damages, injuries, costs, or expenses of any kind or nature whatsoever except such liabilities as may result solely from misconduct or improper performance by the Foundation or any of its representatives.

This and more than 80 other Research Foundation publications can be ordered by logging onto http://www.ferf.org

Financial Executives Research Foundation, Inc.
200 Campus Drive
Florham Park, New Jersey 07932

Copyright © 2006 by Financial Executives Research Foundation, Inc.
All rights reserved. No part of this publication may be reproduced in any form or by any means without written permission from the publisher.
International Standard Book Number 1-933130-42-3
Printed in the United States of America
First Printing

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by Financial Executives Research Foundation, Inc. provided that an appropriate fee is paid to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923. Fee inquiries can be directed to Copyright Clearance Center at 978-750-8400. For further information please check Copyright Clearance Center online at http://www.copyright.com.
Financial Executives Research Foundation, Inc. would like to acknowledge the following for their support and generosity:

PRESIDENT’S CIRCLE CORPORATE
FISCAL YEAR 2007

Platinum President’s Circle $15,000+
   The Coca-Cola Company
   Microsoft Corporation

Silver President’s Circle $5,000+
   Cisco Systems, Inc.
   Comcast Corp.
   Corning Incorporated
   Cummins, Inc.
   Dow Chemical Company
   Duke Energy Corporation
   E. I. du Pont de Nemours & Company
   General Electric Company, Inc.
   Halliburton Company
   IBM Corporation
   Johnson & Johnson
   Maple Leaf Foods Inc.
   Medtronic, Inc.
   Pfizer Inc.
   Procter & Gamble
   Siemens AG
   Sony Corp. of America
   Tenneco
   Tyco International (US) Inc