Creative Cash Flow Reporting

A Seminar with Illustrative Examples

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Charles W. Mulford
BioSketch

Charles W. Mulford is Invesco Chair and professor of accounting in the Scheller College of Business at Georgia Tech. Since joining the faculty in 1983, he has been recognized eleven times as the Core Professor of the Year and five times as the Elective Professor of the Year by the Graduate Students in Business Administration. In 1999 the graduate students voted to rename the Core Professor of the Year Award the "Charles W. Mulford Core Professor of the Year Award". An additional teaching award received in 2000 was the university-wide W. Roane Beard Class of 1940 Outstanding Teacher Award.

Dr. Mulford's scholarly pursuits include the publication of numerous papers in scholarly as well as professional accounting and finance journals. His research interests center on the effects of accounting standards on investment and credit decision-making, earnings forecasts, the relationship between accounting-based and market-based measures of risk and international accounting and reporting practices. More recently, his research interests have turned to the use of published financial reports in cash flow analysis. He has co-authored four books, *Financial Warnings*, published in 1996, *Guide to Financial Reporting and Analysis*, published in 2000, *The Financial Numbers Game: Identifying Creative Accounting Practices*, published in 2002 and *Creative Cash Flow Reporting: Uncovering Sustainable Financial Performance*, published in 2005. In 2002, Dr. Mulford founded the Georgia Tech Financial Analysis Lab, which is dedicated to conducting independent stock market research.

Dr. Mulford has appeared on numerous broadcast networks, including CNBC, ABC News, and Bloomberg TV. In addition, he has been quoted in several business publications, including *The Wall Street Journal*, *The Financial Times*, *Business Week*, *Forbes*, and *Fortune*.

In addition to his work at Georgia Tech, Professor Mulford regularly consults with major domestic and international commercial banks and money-management firms on issues related to credit and investment decision-making.

Professor Mulford has a doctorate in accounting from the Florida State University and is professionally qualified as a Certified Public Accountant (CPA). Prior to joining the Georgia Tech faculty, he practiced public accounting with the firm of Coopers & Lybrand. He was an audit senior in the firm's Miami office.

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Operating, Investing and Financing Cash Flow
Plenty of Flexibility

Compare Classification of Cash Flows for Two Companies
Same Cash Flows following Same Guidelines
Curiously Different Results

	Co. A	Co. B
Cash flow provided (used) by operating activities	$ (10,000)	$ 20,000
Cash flow provided (used) by investing activities	(25,000)	(45,000)
Cash flow provided (used) by financing activities	45,000	35,000
Net increase in cash	$ 10,000	$ 10,000

Classifying Cash Flows:

Cash provided (used) by operating activities (Operating cash flow):

The cash effects of transactions that enter into the determination of net income such as cash receipts from sales of goods and services and cash payments to suppliers and employees for acquisitions of inventory and services. Excluded are gains and losses related to investing activities, such as sales of investments or fixed assets, or related to financing activities, such as early debt retirement.

Cash provided (used) by investing activities (Investing cash flow):

Cash receipts and payments involving long-term assets, including making and collecting loans and acquiring and disposing of investments and property, plant and equipment.

Cash provided (used) by financing activities (Financing cash flow):

Cash receipts and payments involving liability and stockholders' equity items, including obtaining cash from creditors and repaying amounts borrowed and obtaining capital from owners and providing them with a return on and a return of, their investments.

Cash Flow Classification Exercise #1
Fundamental Transactions

Required: Indicate whether the following items should be classified as:

O – Operating, **I** - Investing, or **F** - Financing

_____ 1. Proceeds from sales of products

_____ 2. Purchases of inventory

_____ 3. Cash paid for operating expenses

_____ 4. Cash paid in litigation related to product liability claims.

_____ 5. Interest income received

_____ 6. Dividend income received

_____ 7. Interest expense paid

_____ 8. Dividends paid

_____ 9. Cash paid for interest capitalized to a building under construction (for company use).

_____ 10. Cash paid for interest capitalized to a building under construction (for sale).

_____ 11. Income taxes paid

_____ 12. Cash disbursed for purchase of property, plant and equipment

_____ 13. Proceeds from sale of equipment

_____ 14. Loss on sale of equipment

_____ 15. Costs capitalized in production of motion-picture film.

_____ 16. Costs capitalized in discovery and development of oil reserves.

_____ 17. Proceeds from issuing debt.

_____ 18. Cash paid to repurchase common stock.

Cash Flow Classification Exercise #2
Beyond the Fundamentals

Required: Indicate whether the following items should be classified as:
O – Operating, **I** - Investing, or **F** - Financing

_____ 1. Proceeds from the liquidation of investments in short-term debt instruments classified as trading securities.

_____ 2. Capitalized software development costs.

_____ 3. The purchase of equipment by a lessor to be leased out on a short-term lease.

_____ 4. Cash tied up in notes receivable taken from customers at the time of sale.

_____ 5. Cash provided from the liquidation of inventory acquired in a corporate acquisition.

_____ 6. Equipment purchased with bank financing.

_____ 7. Equipment purchased with bank financing provided directly to equipment vendor

_____ 8. Equipment acquired through finance lease financing.

_____ 9. Increases in book overdrafts, the excess of outstanding checks over cash balances reported by the bank.

_____ 10. Proceeds received when accounts receivable are pledged as collateral for a loan.

_____ 11. Proceeds from a sale of accounts receivable.

_____ 12. Proceeds from securitization of accounts receivable.

_____ 13. Cash provided by an outsized increase in the time taken to satisfy accounts payable.

_____ 14. Cash received from the sale of a building to be leased back.

_____ 15. Cash payments or receipts arising from the termination of interest rate swaps.

_____ 16. Cash paid to retire debt early.

_____ 17. Tax benefits received from a loss incurred when long-term debt was retired early.

_____ 18. Taxes paid on a gain realized on sale of an investment.

_____ 19. Tax benefits from the exercise of stock options.

_____ 20. Cash used in the operations of a discontinued segment in period before disposition.

Exercise #3
Calculating Adjusted Free Cash Flow

Care Therapeutics, Inc.

Required:

An income statement and balance sheet for 2017 and 2016 and a statement of cash flows for 2017 are provided below together with accompanying footnotes. The cash flow statement was prepared in accordance with GAAP. The company's marginal and effective tax rates are 25%.

Required:

Calculate a revised measure of operating cash flow and free cash flow, adjusted to take into account items disclosed in the financial statements and accompanying footnotes.

The Income Statement (000s) . . .

	2017	2016
Net Sales	$ 20,359	$ 14,518
Cost of sales	8,980	6,916
Gross profit	11,379	7,602
Costs and expenses:		
SG&A expense (incl. dep'n of $469 and $409)	4,791	3,777
Research and development	1,413	70
Total costs and expenses	6,204	3,847
Operating income	5,175	3,755
Interest income	97	50
Earnings before income taxes	5,272	3,805
Income taxes	1,318	1,199
Net earnings	$ 3,954	$ 2,606

Care Therapeutics, Inc. (cont'd)

The balance sheet (000s) . . .

	2017	2016	Change
Assets			
Current Assets:			
Cash	$ 1,600	$ 1,219	$ 381↑
Trading securities	429	1,416	987↓
Accounts receivable, net	1,872	2,126	254↓
Inventories	4,011	1,845	2,166↑
Prepaid expenses	801	363	438↑
Total current assets	8,713	6,969	
Property and equipment, net	3,556	2,402	1,154↑
	$ 12,269	$ 9,371	
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 1,823	$ 797	1,026↑
Income taxes payable	180	-	180↑
Total current liabilities	2,003	797	
Long-term liabilities:			
Capital lease obligations	1,000	--	1,000↑
Shareholders' equity:			
Common stock and additional paid-in capital	5,570	8,832	3,262↓
Retained earnings (deficit)	3,696	(258)	3,954↑
Total shareholders' equity	9,266	8,574	
	$ 12,269	$ 9,371	

Care Therapeutics, Inc. (cont'd)

The Statement of Cash Flows (000s). . .

Operating cash flow:	
Net income	$ 3,954
Depreciation	469
Compensation expense	1,600
Trading securities	987
A/R	254
Inventories	(2,166)
Prepaid expenses	(438)
Accounts payable and accrued expenses	1,026
Income tax payable	180
Operating cash flow	5,866
Investing cash flow:	
Capital expenditures, net	(623)
Financing cash flow:	
Stock repurchases	(4,862)
Financing cash flow	(4,862)
Change in cash	$ 381
Beginning cash	1,219
Ending cash	$ 1,600

Care Therapeutics, Inc. (cont'd)

Selected Footnotes . . .

The Company reclassifies cash overdrafts to accounts payable. Cash overdrafts included in accounts payable were $1,260 and $457 at 2017 and 2016, respectively, an increase of $803.

During 2017, the Company entered into a $10 million accounts receivable securitization agreement with a financial institution and several financial conduits. The Company securitized a portion of its receivables to diversify its funding sources at a competitive cost. To effect the transaction, the Company established a wholly owned, fully consolidated, bankruptcy-remote, special purpose subsidiary for the purpose of purchasing the accounts receivable from the Company. At year-end 2017 and 2016 the undivided interest in the receivables portfolio transferred to the financial conduits amounted to $3 million and $1 million, respectively. Proceeds received in 2017 were $2 million. The secritization transaction was accounted for as a sale.

Non-cash investing activities consisted of equipment acquired pursuant to finance lease obligations totaling $1,000 in 2017.

A summary of the company's compensation activity for fiscal 2017 follows:

Stock Options	**Shares**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
	(In thous)		**(In years)**	**(In thous)**
Outstanding as of Dec. 31, 2016	3,000	$ 18	5	$ 7,500
Granted	1,200	24		
Exercised	(1,000)	20		
Cancelled or expired	(800)	30		
Outstanding at Dec 31, 2017	2,400	$ 28	4	$ 7,000

(Hint: the total tax benefit from stock options can be estimated by applying the marginal tax rate to the excess of the market price (weighted average grant price) over the exercise price (weighted average exercise price) times the number of shares exercised. Adjust operating cash flow for the tax benefit from stock options estimated to be included in operating cash flow.)

Investing-Related Activities and Operating Cash Flow
Investments Classified as Trading Securities

American Software, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended April 30, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Cash flows from operating activities:			
Net earnings	$ 14,621	$ 10,242	$ 8,128
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	6,640	5,618	5,833
Stock-based compensation expense	1,428	1,593	1,530
Accretion of liability from purchase of business	—	11	11
Tax benefit of options exercised	—	—	420
Excess tax benefits from stock-based compensation	—	—	(384)
Net (gain)/loss on investments	(146)	994	638
Net (gain) on sale of fixed assets	(11,776)	—	—
Deferred income tax expense/(benefit)	675	(312)	(723)
Changes in operating assets and liabilities, net of effects of acquisition:			
Purchases of trading securities	(10,267)	(13,206)	(18,806)
Proceeds from sales and maturities of trading securities	15,507	14,071	11,204
Accounts receivable, net	1,187	(945)	(400)
Prepaid expenses and other assets	(284)	(740)	350
Accounts payable and other liabilities	1,185	1,155	(1,870)
Deferred revenue	1,010	(190)	4,093
Net cash provided by operating activities	19,780	18,291	10,024

Adjusting Reported Operating Cash Flow for Trading Securities

Reported net cash provided by operating activities	$19,780	$18,291	$10,024
Adjustment for trading securities:			
Purchases of trading securities	10,267	13,206	18,806
Proceeds from sale & maturity of trading securities	(15,507)	(14,071)	(11,204)
Adjusted net cash provided by operating activities	$14,540	$17,426	$17,626

Trading Securities: Watch for Purchases and Sales of Marketable Securities Included in Operating Cash Flow

GENCOR INDUSTRIES, INC.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2017, 2016 and 2015

	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ 8,418,000	$ 7,043,000	$ (1,819,000)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Purchase of marketable securities	(492,674,000)	(550,295,000)	(384,668,000)
Proceeds from sale and maturity of marketable securities	491,852,000	549,027,000	383,773,000
Change in value of marketable securities	(1,126,000)	(314,000)	3,649,000
Deferred and other income taxes	1,285,000	1,647,000	(2,024,000)
Depreciation and amortization	1,128,000	1,397,000	1,385,000
Provision for doubtful accounts	115,000	105,000	60,000
Loss on disposal of assets	7,000	65,000	1,000
Stock-based compensation	71,000	37,000	253,000
Changes in assets and liabilities:			
Accounts receivable	(189,000)	(341,000)	514,000
Costs and estimated earnings in excess of billings	(1,847,000)	(2,525,000)	(2,052,000)
Inventories	(5,053,000)	1,136,000	968,000
Prepaid expenses	(62,000)	(781,000)	32,000
Accounts payable	(123,000)	(86,000)	582,000
Customer deposits	4,144,000	66,000	4,094,000
Accrued expenses	162,000	812,000	(236,000)
Total adjustments	(2,310,000)	(50,000)	6,331,000
Cash flows provided by operating activities	6,108,000	6,993,000	4,512,000

Reported operating cash flow	$ 6,108,000	$6,993,000	$ 4,512,000
Purchase of marketable securities	492,674,000	550,295,000	384,668,000
Proceeds from sale of marketable securities	(491,852,000)	(549,027,000)	(383,773,000)
Adjusted operating cash flow	$6,930,000	$8,261,000	$5,407,000

Investing-Related Activities and Operating Cash Flow

A Change in Investments Classification

Nautica Enterprises, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)	Rpt Yr 2	Rpt Yr 1
Cash flows from operating activities		
Net earnings	$ 58,708	$56,418
Adjustments to reconcile net earnings to net cash provided by operating activities, net of assets and liabilities acquired		
Minority interest in net loss of consolidated subsidiary	(405)	(785)
Deferred income taxes	(1,119)	(453)
Depreciation and amortization	12,552	8,979
Provision for bad debts	531	748
Changes in operating assets and liabilities		
Accounts receivable	(21,867)	(20,600)
Inventories	(3,486)	(4,224)
Prepaid expenses and other current assets	(552)	(575)
Other assets	(2,491)	(1,120)
Accounts payable - trade	10,854	(3,054)
Accrued expenses and other current liabilities	6,140	8,780
Income taxes payable	1,771	9,960
Net cash provided by operating activities	60,636	54,074
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,224)	(21,370)
Acquisitions, net of cash acquired	(1,650)	(2,837)
Purchase of short-term investments	**(2,764)**	**(52,343)**
Payments to register trademark	(169)	(304)
Long-term investments		
Net cash used in investing activities	(24,807)	(76,854)

From the notes:

3. Short-term Investments

Short-term investments consist primarily of government and agency bonds, tax-exempt municipal bonds and corporate bonds. These marketable securities are classified as available for sale and are adjusted to market value at the end of each accounting period. Unrealized market gains and losses, net of deferred tax, are reported in stockholders' equity. Realized gains and losses taxes on sales of investments are determined on a specific identification basis, and are included in the consolidated statements of earnings.

Nautica Enterprises, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)	**Rpt Yr 4**	**Rpt Yr 3**
Cash flows from operating activities		
Net earnings	$36,103	$46,163
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Minority interest in net loss	--	--
Deferred income taxes	(2,478)	(1,035)
Depreciation and amortization	22,968	17,072
Provision for bad debts	1,451	1,424
Changes in operating assets and liabilities:		
Short-term investments	**28,445**	**21,116**
Accounts receivable	(17,935)	(768)
Inventories	(24,142)	(3,667)
Prepaid expenses	(2,024)	(20)
Other assets	(36)	(2,686)
Accounts payable – trade	14,883	(548)
Accrued expenses	7,054	3,292
Income taxes payable	3,779	3,458
Net cash provided by operating activities	78,018	83,801

Adjusting Reported Operating Cash Flow for Trading Securities

Reported net cash provided by operating activities	78,018	83,801
Short-term investments	(28,445)	(21,116)
Adjusted net cash provided by operating activities	49,573	62,685

From the notes:
3. Short-Term Investments
Short-term investments are classified as trading securities and are adjusted to market value at the end of each accounting period. In Report Year 2, such short-term investments were classified as available-for-sale securities.

In Summary

Reported operating cash flow should be adjusted for cash flow provided or used from investments classified as trading securities.

Evidence of a company's policy with respect to trading securities can be found in:
- Accounting policy note
- Short-term investments note
- The cash flow statement

Capitalized Costs Reported as Investing Activities
Capitalized Software Development Costs

American Software, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended April 30, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Cash flows from operating activities:			
Net earnings	$ 14,621	$ 10,242	$ 8,128
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	6,640	5,618	5,833
Stock-based compensation expense	1,428	1,593	1,530
Accretion of liability from purchase of business	—	11	11
Tax benefit of options exercised	—	—	420
Excess tax benefits from stock-based compensation	—	—	(384)
Net (gain)/loss on investments	(146)	994	638
Net (gain) on sale of fixed assets	(11,776)	—	—
Deferred income tax expense/(benefit)	675	(312)	(723)
Changes in operating assets and liabilities, net of effects of acquisition:			
Purchases of trading securities	(10,267)	(13,206)	(18,806)
Proceeds from sales and maturities of trading securities	15,507	14,071	11,204
Accounts receivable, net	1,187	(945)	(400)
Prepaid expenses and other assets	(284)	(740)	350
Accounts payable and other liabilities	1,185	1,155	(1,870)
Deferred revenue	1,010	(190)	4,093
Net cash provided by operating activities	19,780	18,291	10,024
Cash flows from investing activities:			
Capitalized computer software development costs	(3,724)	(3,246)	(2,747)
Purchases of property and equipment, net of disposals	(731)	(655)	(1,028)
Proceeds from sale of building	13,134	—	—
Purchase of business, net of cash acquired	(4,441)	—	(7,909)
Net cash provided by (used in) investing activities	4,238	(3,901)	(11,684)

Capitalized Costs (cont'd)
Reporting Capitalized Software Development Costs as Investing Activities is not Universal

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

	For the Years Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	$ 966	$ 892	$ 835
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(9)	(27)	(44)
Provision for inventories	42	43	39
Depreciation and amortization	829	95	90
Amortization of capitalized software development costs and intellectual property licenses(1)	321	399	256
Premium payment for early redemption of note (see Note 11)	63	—	—
Amortization of debt discount, financing costs, and non-cash write-off due to extinguishment of debts	50	7	7
Share-based compensation expense(2)	147	92	104
Other	4	—	1
Changes in operating assets and liabilities, net of effect from business acquisitions:			
Accounts receivable, net	84	(40)	(177)
Inventories	32	(54)	(2)
Software development and intellectual property licenses	(362)	(350)	(349)
Other assets	(10)	21	18
Deferred revenues	(35)	(27)	475
Accounts payable	(50)	(25)	(12)
Accrued expenses and other liabilities	83	233	90
Net cash provided by operating activities	2,155	1,259	1,331
Cash flows from investing activities:			
Proceeds from maturities of available-for-sale investments	—	145	21
Purchases of available-for-sale investments	—	(145)	—
Acquisition of business, net of cash acquired (see Note 21)	(4,588)	(46)	—
Release (deposit) of cash in escrow	3,561	(3,561)	—
Capital expenditures	(136)	(111)	(107)
Other investing activities	(14)	2	2
Net cash used in investing activities	(1,177)	(3,716)	(84)

For Consistency with Firms That Include Software Costs in Operating Cash Flow, Adjust Operating Cash Flow for Capitalized Software Costs Included in Investing Activities

American Software, Inc.

	2017	2016	2015
Reported net cash provided by operating activities	$ 19,780	$ 18,291	$ 10,024
Capitalization of software development costs	(3,724)	(3,246)	(2,747)
Adjusted net cash provided by operating activities	$ 16,056	$ 15,045	$ 7,277

Capitalized Costs (con'td)
In Summary

Reported operating cash flow should be adjusted for capitalized operating expenditures.

Possible candidates include:

- Capitalized interest on fixed assets
- Capitalized software development costs
- Capitalized operating costs during completion of manufacturing plant
- Capitalized exploration and development costs for oil companies

Excluded - costs capitalized and reported in operating cash flow.

- Capitalized customer acquisition costs
- Capitalized interest included in inventory (homebuilders)
- Capitalized film development costs

Evidence of amounts capitalized can be found in

- The cash flow statement
- Accounting policy note
- A note detailing the components of property and equipment or other asset accounts
- MD&A

A note on income tax effects . . .

If amounts capitalized were deducted for tax purposes, then no tax adjustment is needed. For amounts that were capitalized for tax purposes, including capitalized interest and other amounts added to fixed assets, adjustments to operating cash flow for capitalized expenditures should first be tax effected using an appropriate tax rate.

Equipment Rental
Equipment Purchases Reported as Investing Cash Flow

ELECTRO RENT 2017 ANNUAL REPORT

Consolidated Statements of Cash Flows

Year Ended May 31, (in thousands)	2017	2016	2015
Cash flows from operating activities:			
Net income	$ 15,432	$ 20,408	$ 22,754
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	57,562	58,286	58,109
Remeasurement (gain)/loss on foreign currency	5	152	(2)
Provision for losses on accounts receivable	591	860	445
Gain on sale of rental and lease equipment	(13,622)	(14,195)	(13,189)
Stock compensation expense	1,292	1,356	1,330
Excess tax benefit for share-based compensation	(358)	(183)	(251)
Deferred income taxes	(4,160)	(7,928)	(4,631)
Change in operating assets and liabilities:			
Accounts receivable	(503)	(2,366)	1,322
Other assets	(7,532)	(6,568)	(931)
Accounts payable	1,195	260	(467)
Accrued expenses	4,586	(1,125)	4,068
Deferred revenue	(1,869)	229	373
Net cash provided by operating activities	52,619	49,186	68,930
Cash flows from investing activities:			
Proceeds from sales of rental and lease equipment	34,261	35,224	31,119
Payments for purchase of rental and lease equipment	(70,954)	(58,678)	(64,088)
Payments for purchase of other property	(986)	(384)	(1,105)
Net cash used in investing activities	(37,679)	(23,838)	(34,074)

We primarily engage in the rental, lease and sale of state-of-the-art electronic equipment, primarily test and measurement ("T&M") equipment and personal computer-related data products ("DP") equipment. We seek to acquire new and used equipment at attractive prices which we feel we can make a profit from a combination of renting and/or selling them. At times, we may acquire equipment which we do not intend to rent because we think it can be more profitably sold. The sale of equipment, either after acquisition or after it has been rented, can comprise a significant portion of revenues and operating profit.

Note the reporting of payments for the purchase of rental and lease equipment as investing cash flow.

The Furniture Rental Business
Furniture Purchases Reported as Operating Cash Flow

AARON'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2016	**2015**	**2014**
		(In Thousands)	
OPERATING ACTIVITIES:			
Net Earnings	$ 139,283	$ 135,709	$ 78,233
Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities:			
Depreciation of Lease Merchandise	1,304,295	1,212,644	932,634
Other Depreciation and Amortization	82,378	80,203	85,600
Accounts Receivable Provision	167,923	163,111	99,283
Provision for Credit Losses on Loans Receivable	11,251	937	—
Stock-Based Compensation	21,470	14,163	10,863
Deferred Income Taxes	(35,162)	38,970	(7,157)
Other Changes, Net	(2,086)	(4,815)	2,214
Changes in Operating Assets and Liabilities, Net of Effects of Acquisitions and Dispositions:			
Additions to Lease Merchandise	(1,615,064)	(1,775,479)	(1,465,501)
Book Value of Lease Merchandise Sold or Disposed	433,464	510,657	456,713
Accounts Receivable	(149,826)	(173,159)	(110,269)
Prepaid Expenses and Other Assets	1,229	(35,649)	(5,332)
Income Tax Receivable	167,290	(54,351)	(117,894)
Accounts Payable and Accrued Expenses	(51,643)	68,775	(12,788)
Accrued Litigation Expense	(4,737)	(22,463)	(1,200)
Customer Deposits and Advance Payments	(4,621)	7,508	5,639
Cash Provided by (Used in) Operating Activities	465,444	166,761	(48,962)

Reporting Cash Flow in the Film-Rental Business
How Should Video Purchases Be Reported?

BLOCKBUSTER INC.
(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Fiscal Year Ended	
	January 2, 2011	**January 3, 2010**
Cash flows from operating activities:		
Net income (loss)	$(268.0)	$(558.2)
Adjustments to reconcile net income (loss) to net cash flow provided by (used in) operating activities:		
Depreciation and intangible amortization	106.9	147.1
Impairment of goodwill and other long-lived assets	22.2	369.2
Rental library purchases	**(369.7)**	**(500.2)**
Rental library amortization	446.0	519.8
Non-cash share-based compensation expense	1.1	7.3
Loss on disposal of store operations (Note 14)	19.3	41.9
Deferred income taxes, gain on sales of assets and other	2.0	19.9
Loss on extinguishment of debt	—	29.9
Reorganization items, net of cash payments	(0.2)	—
Change in operating assets and liabilities:		
Change in receivables	18.7	37.5
Change in merchandise inventories	55.1	120.7
Change in prepaid and other assets	22.9	31.6
Change in accounts payable	(1.2)	(124.6)
Change in accrued expenses and other liabilities	(44.3)	(112.6)
Net cash flow provided by (used in) operating activities	10.8	29.3
Cash flows from investing activities:		
Capital expenditures	(23.6)	(32.3)
Change in restricted cash	23.8	(58.5)
Proceeds from sales of property and equipment	1.4	1.6
Proceeds from sales of store operations	—	13.2
Other investing activities	(0.2)	1.1
Net cash flow provided by (used in) investing activities	1.4	(74.9)

NETFLIX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	$ 186,678	$ 122,641	$ 266,799
djustments to reconcile net income to net cash (used in) provided by operating activities:			
Additions to streaming content assets	(8,653,286)	(5,771,652)	(3,773,019)
Change in streaming content liabilities	1,772,650	1,162,413	593,125
Amortization of streaming content assets	4,788,498	3,405,382	2,656,279
Amortization of DVD content assets	78,952	79,380	71,491
Depreciation and amortization of property, equipment and intangibles	57,528	62,283	54,028
Stock-based compensation expense	173,675	124,725	115,239
Excess tax benefits from stock-based compensation	(65,121)	(80,471)	(89,341)
Other non-cash items	40,909	31,628	15,282
Deferred taxes	(46,847)	(58,655)	(30,063)
Changes in operating assets and liabilities:			
Other current assets	46,970	18,693	(9,198)
Accounts payable	32,247	51,615	83,812
Accrued expenses	68,706	48,810	55,636
Deferred revenue	96,751	72,135	58,819
Other non-current assets and liabilities	(52,294)	(18,366)	(52,406)
Net cash (used in) provided by operating activities	(1,473,984)	(749,439)	16,483
Cash flows from investing activities:			
Acquisition of DVD content assets	(77,177)	(77,958)	(74,790)
Purchases of property and equipment	(107,653)	(91,248)	(69,726)
Other assets	(941)	(1,912)	1,334
Purchases of short-term investments	(187,193)	(371,915)	(426,934)
Proceeds from sale of short-term investments	282,484	259,079	385,300
Proceeds from maturities of short-term investments	140,245	104,762	141,950
Net cash provided by (used in) investing activities	49,765	(179,192)	(42,866)

In contrast with Blockbuster, Netflix reports additions to its DVD content library as investing cash flow. However, additions to its streaming content library are reported as operating cash flow.

Acquisitions and Operating Cash Flow

When an acquisition is made, cash paid to acquire net working capital accounts, including accounts receivable, inventory and accounts payable, is reported in the investing section of the statement of cash flows. The ultimate realization through sale or collection of these accounts boosts operating cash flow.

No disclosures are provided of the extent to which acquisitions have boosted operating cash flow.

When significant acquisitions are disclosed in the investing section fo the cash flow statement, the analyst should be aware that operating cash flow may have been boosted through steps other than operations. Operating cash flow generated in this manner is not sustainable.

Contrasting Cash Flow Classifications for Inventory Purchases

	Operation Co.		Acquisition Co.	
	2017	2018	2017	2018
Cash provided (used) by operating activities:				
Net income	$ 0	$ 0	$ 0	$ 0
(Increase) decrease in inventory, net of the effect of acquisitions	(100)	100	0	100
Cash provided (used by operating activities	(100)	100	0	100
Cash provided (used) by investing activities:				
Cash (paid) for acquisition	0	0	(100)	0
Change in cash	$ (100)	$100	$ (100)	$ 100

The Effects of Acquisitions on Operating Cash Flow
Balance Sheet Changes Don't Tie to the Statement of Cash Flows

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	As of October 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$52,066	$42,955
Accounts receivable, net	222,456	202,227
Inventories, net	343,628	286,302
Prepaid expenses and other current assets	13,742	11,674
Total current assets	631,892	543,158
Property, plant and equipment, net	129,883	121,611
Goodwill	1,081,306	865,717
Intangible assets, net	538,081	366,863
Deferred income taxes	—	407
Other assets	131,269	100,656
Total assets	$2,512,431	$1,998,412
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$451	$411
Trade accounts payable	89,724	73,335
Accrued expenses and other current liabilities	147,612	136,053
Income taxes payable	11,650	4,622
Total current liabilities	249,437	214,421
Long-term debt, net of current maturities	673,528	457,814
Deferred income taxes	59,026	64,899
Other long-term liabilities	151,025	114,061
Total liabilities	1,133,016	851,195

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended October 31,		
	2017	2016	2015
Operating Activities:			
Net income from consolidated operations	$207,660	$176,150	$153,564
Adjustments to reconcile net income from consolidated operations to net cash provided by operating activities:			
Depreciation and amortization	64,823	60,277	47,907
Employer contributions to HEICO Savings and Investment Plan	7,768	7,020	6,125
Share-based compensation expense	7,415	6,434	6,048
Increase in accrued contingent consideration, net	1,100	3,063	293
Foreign currency transaction adjustments, net	3,347	13	(3,704)
Deferred income tax benefit	(11,096)	(9,194)	(7,080)
Tax benefit from stock option exercises	—	868	1,402
Excess tax benefit from stock option exercises	—	(881)	(1,402)
Payment of contingent consideration	—	(631)	—
Changes in operating assets and liabilities, net of acquisitions:			
Decrease (increase) in accounts receivable	2,846	(15,955)	(22,572)
Increase in inventories	(21,204)	(14,421)	(10,187)
Decrease (increase) in prepaid expenses and other current assets	134	(2,356)	1,433
Increase in trade accounts payable	6,386	4,074	3,169
Increase (decrease) in accrued expenses and other current liabilities	1,794	35,279	(883)
Increase in income taxes payable	6,071	1,443	373
Other long-term assets and liabilities, net	(2,159)	(1,999)	(1,623)
Net cash provided by operating activities	274,885	249,184	172,863
Investing Activities:			
Acquisitions, net of cash acquired	(418,265)	(263,811)	(166,784)
Capital expenditures	(25,998)	(30,863)	(18,249)
Other	(552)	(2,942)	(973)
Net cash used in investing activities	(444,815)	(297,616)	(186,006)

Heico Corp. (cont'd)
Comparing Balance Sheet Changes

	Balance Sheet Change	Cash Flow Statement Change
Accounts Receivable	$ 20,229	$ (2,846)
Inventory	57,326	21,204
Accounts Payable	16,389	6,386

Information on primary acquisition (company had other smaller ones)

AAT Acquisition

On September 15, 2017 , the Company, through HEICO Electronic, acquired all of the outstanding stock of AeroAntenna Technology, Inc. ("AAT"). The purchase price of this acquisition was paid in cash using proceeds from the Company's revolving credit facility. AAT designs and produces high performance active antenna systems for commercial aircraft, precision guided munitions, other defense applications and commercial uses. The Company believes that this acquisition is consistent with HEICO's practice of acquiring high quality niche designers and manufacturers who also focus on customer needs and will further enable the Company to broaden its product offerings, technologies and customer base.

The following table summarizes the total consideration for the acquisition of AAT (in thousands):

Cash paid	$317,500
Less: cash acquired	(868)
Cash paid, net	316,632
Contingent consideration	13,797
Additional purchase consideration	220
Total consideration	$330,649

As noted in the table above, the total consideration includes an accrual of $13.8 million representing the estimated fair value of contingent consideration the Company may be obligated to pay should AAT meet certain earnings objectives during the first six years following the acquisition. See Note 7, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

Heico Corp. (cont'd)

The following table summarizes the allocation of the total consideration for the acquisition of AAT to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities assumed (in thousands):

Assets acquired:	
Goodwill	$160,903
Customer relationships	100,000
Intellectual property	39,000
Trade name	20,000
Accounts receivable	6,115
Inventories	5,923
Property, plant and equipment	1,246
Other assets	208
Total assets acquired, excluding cash	333,395
Liabilities assumed:	
Accounts payable	1,290
Accrued expenses	1,456
Total liabilities assumed	2,746
Net assets acquired, excluding cash	$330,649

The allocation of the total consideration to the tangible and identifiable intangible assets acquired and liabilities assumed is preliminary until the Company obtains final information regarding their fair values. However, the Company does not expect any adjustments to such allocations to be material to the Company's consolidated financial statements. The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of AAT and the value of its assembled workforce that do not qualify for separate recognition. The amortization period of the customer relationships, intellectual property and trade name acquired is 15 years , 15 years and indefinite, respectively. The operating results of AAT were included in the Company's results of operations from the effective acquisition date.

The Company's consolidated net sales and net income attributable to HEICO for the fiscal year ended October 31, 2017 includes $10.2 million and $2.5 million , respectively from the acquisition of AAT.

The following table presents unaudited pro forma financial information for fiscal 2017 and fiscal 2016 as if the acquisition of AAT had occurred as of November 1, 2015 (in thousands, except per share data):

	Year ended October 31, 2017	Year ended October 31, 2016
Net sales	$1,582,653	$1,428,336
Net income from consolidated operations	$220,419	$185,070
Net income attributable to HEICO	$198,744	$165,112

Note: no pro-forma cash flow information is provided.

Acquisitions and Operating Cash Flow
In Summary

When an acquisition is made, cash paid to acquire net working capital accounts, including accounts receivable, inventory and accounts payable, is reported in the investing section of the statement of cash flows.

The ultimate realization through sale or collection of these accounts boosts operating cash flow.

No disclosures are provided of the extent to which acquisitions have boosted operating cash flow.

When significant acquisitions are disclosed in the investing section of the cash flow statement, the analyst should be aware that operating cash flow may have been boosted through steps other than operations.

Operating cash flow generated in this manner is not sustainable.

Non-Cash Investing Activities and Their Effects on Free Cash Flow
Fixed Assets Acquired with Borrowed Funds
Nexeo Solutions, Inc. Statement of Cash Flows

	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016*	October 1, 2015 through June 8, 2016	Fiscal Year Ended September 30, 2015
Cash flows from operations				
Net income (loss) from continuing operations (millions)	$ 14.4	$ (8.4)	$ (13.9)	$ 21.2
Adjustments to reconcile to cash flows from operations:				
Depreciation and amortization	73.1	20.6	37.7	52.6
Debt issuance costs amortization, debt issuance costs write-offs and original issue discount amortization	4.1	0.7	6.1	8.7
Non-cash transaction costs	—	12.8	—	—
Provision for bad debt	(0.2)	0.3	1.2	0.6
Inventory impairment	—	—	—	1.6
Impairment charge due to natural disasters	1.5	—	—	—
Deferred income taxes	2.2	(1.1)	1.1	2.8
Equity-based compensation charges	5.5	1.5	2.7	1.2
Change in fair value of contingent consideration obligations	16.2	(11.2)	—	—
(Gain) loss from sales of property and equipment	0.2	0.2	(2.0)	(2.5)
Gain related to reimbursements of certain capital expenditures incurred	(8.1)	(0.8)	—	—
Gain from debt extinguishment, net	—	—	(0.6)	(0.6)
Changes in assets and liabilities:				
Accounts and notes receivable	(101.9)	(5.0)	34.4	109.7
Inventories	14.4	12.5	8.4	50.5
Other current assets	5.6	0.1	(4.1)	8.2
Accounts payable	43.7	(14.5)	13.4	(104.8)
Related party payable	—	(0.1)	(0.3)	(1.6)
Accrued expenses and other liabilities	6.1	(4.9)	(9.7)	5.9
Changes in other operating assets and liabilities, net	1.8	0.5	(4.9)	1.2
Net cash provided by operating activities from continuing operations	78.6	3.2	69.5	154.7
Net cash provided by (used in) operating activities from discontinued operations	—	—	0.1	(0.6)
Net cash provided by operating activities	78.6	3.2	69.6	154.1
Cash flows from investing activities				
Additions to property and equipment	(27.6)	(12.7)	(14.2)	(35.6)
Proceeds from the disposal of property and equipment	0.6	4.7	2.4	4.1
Proceeds from reimbursement for certain capital expenditures incurred	8.4	0.5	—	—
Proceeds withdrawn from trust account	—	501.1	—	—
Cash paid for asset and business acquisitions	(65.6)	(360.6)	—	—
Net cash provided by (used in) investing activities	(84.2)	133.0	(11.8)	(31.5)

Nexeo Solutions, Inc.(cont'd)

Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$ 46.1	$ 16.9	$ 32.9	$ 56.3
Cash paid during the period for taxes (net of refunds)	$ 6.9	$ 2.9	$ 3.4	$ 4.4
Supplemental disclosure of non-cash operating activities:				
Non-cash payment of deferred underwriting fees	$ —	$ 18.3	$ —	$ —
Supplemental disclosure of non-cash investing activities:				
Non-cash capital expenditures	$ 17.3	$ 3.2	$ 16.5	$ 15.3

Recalculating capital expenditures (2017):

Reported capital expenditures	$ 27.6
Non-cash capital expenditures	17.3
Total capital expenditures	$ 44.9

Noncash capital expenditures may be reported either as an addemdum to the statement of cash flows or in a separate footnote.

SHINECO, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Converting an Investment to a Capital Asset

	For the Years Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 8,619,645	$ 8,292,822
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	575,196	871,099
Gain from disposal of property and equipment	(8,063)	-
(Recovery of) provision for doubtful accounts	(342,041)	324,515
Increase in inventory reserve	37,292	290,515
Deferred tax provision (benefit)	86,780	(120,765)
Income from equity method investments	(927,697)	(672,269)
Interest income from loans to related parties	(86,355)	-
Gain on disposal of investment	-	(233,249)
Changes in operating assets and liabilities:		
Accounts receivable	(8,136,668)	(1,980,619)
Advances to suppliers	(2,339,757)	1,249,897
Inventories	2,122,982	2,834,739
Other receivables	(72,891)	172,176
Prepaid expense and other assets	(401,755)	135,528
Due from related parties	(976,937)	246,026
Prepaid leases	466,759	495,122
Accounts payable	(96,137)	105,382
Advances from customers	(3,950)	(21,266)
Other payables	(1,614,992)	1,008,132
Taxes payable	354,453	292,580
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,744,136)	13,290,365
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(49,863)	(498,772)
Proceeds from disposal of property and equipment	17,688	-
Proceeds from withdrawal of investments	-	466,497
Repayments of loans from third parties	4,839	189,275
Repayments of loans from related parties	565,739	1,366,787
Income received from investments in unconsolidated entities	990,839	2,428,894
Deposit for business acquisition	(2,055,074)	-
Deposit for potential investment	(200,000)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(725,832)	3,952,681
SUPPLEMENTAL NON-CASH INVESTING ACTIVITY:		
Long-term investment converted to fixed assets	$ 0	$ 6,219,960

SHINECO, INC. (Cont'd)_

Recalculating capital expenditures (2016):

Reported capital expenditures	$ 498,772
Non-cash capital expenditures	6,219,960
Total capital expenditures	$ 6,718,732

Non-Cash Capital Expenditures
Capital Leases and Non-Cash Capital Expenditures
CIENA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended October 31,		
	2017	**2016**	**2015**
Cash flows from operating activities (thousands):			
Net income	$ 1,261,953	$ 72,584	$ 11,667
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	77,189	63,394	55,901
Share-based compensation costs	48,360	51,993	55,340
Amortization of intangible assets	45,713	78,298	79,866
Deferred taxes	(1,126,732)	(1,116)	—
Provision for doubtful accounts	18,221	1,701	1,576
Provision for inventory excess and obsolescence	35,459	33,713	26,846
Provision for warranty	7,965	15,483	17,881
Other	22,417	24,929	25,797
Changes in assets and liabilities:			
Accounts receivable	(66,123)	(26,074)	(37,297)
Inventories	(91,567)	(53,000)	46,898
Prepaid expenses and other	(33,834)	30,047	(46,383)
Accounts payable, accruals and other obligations	33,897	7,153	(10,505)
Deferred revenue	1,964	(9,585)	34,525
Net cash provided by operating activities	234,882	289,520	262,112
Cash flows used in investing activities:			
Payments for equipment, furniture, fixtures and intellectual property	(94,600)	(107,185)	(62,109)
Restricted cash	(54)	11	(40)
Purchase of available for sale securities	(299,038)	(365,191)	(245,323)
Proceeds from maturities of available for sale securities	335,075	230,612	205,000
Purchase of cost method investment	—	(4,000)	(2,000)
Settlement of foreign currency forward contracts, net	(2,810)	(18,506)	24,133
Acquisition of business, net of cash acquired	—	(32,000)	37,212
Net cash used in investing activities	(61,427)	(296,259)	(43,127)
Supplemental disclosure of cash flow information			
Cash paid during the fiscal year for interest	$ 47,235	$ 46,897	$ 40,772
Cash paid during the fiscal year for income taxes, net	$ 22,136	$ 15,268	$ 10,668
Non-cash investing activities			
Purchase of equipment in accounts payable	$ 6,214	$ 15,030	$ 20,922
Equipment acquired under capital leases	$ —	$ 5,322	$ 464
Building subject to capital lease	$ 50,370	$ 8,993	$ 14,939
Construction in progress subject to build-to-suit lease	$ —	$ 39,914	$ 18,663

Non-Cash Capital Expenditures
CIENA CORPORATION (cont'd)

Recalculating capital expenditures (2017):

Reported capital expenditures	$ 94,600
Non-cash capital expenditures	50,370
Total capital expenditures	$ 144,970

Note: as a component of non-cash investing activities, the company also discloses: Purchase of equipment in accounts payable.

While this item is appropriately included with non-cash activities, the cash component of this disbursement will show up in cash payments for capital expenditures in the following year when the accounts payable are paid.

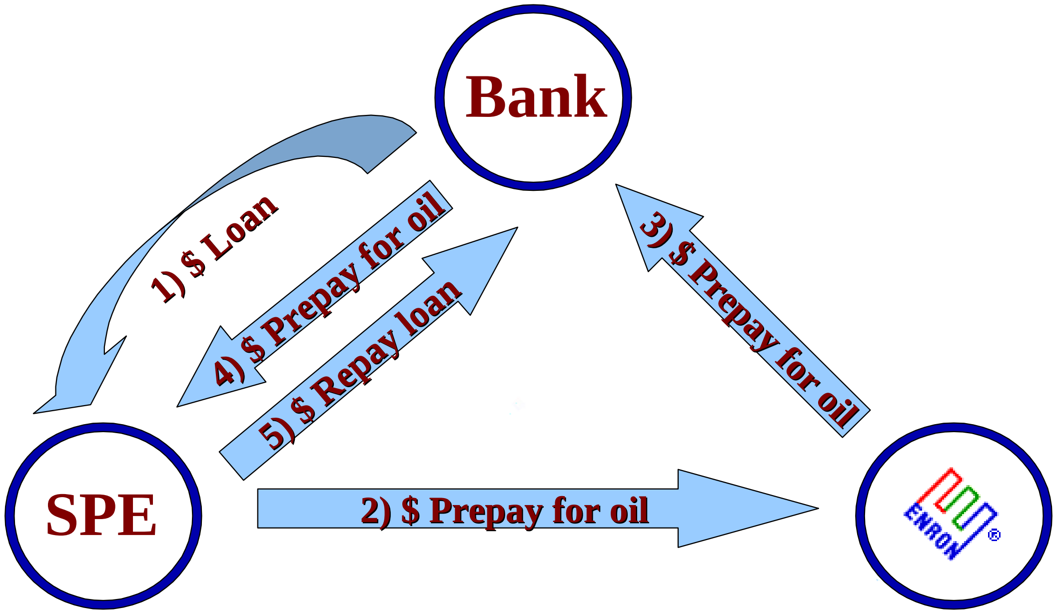
As such, do not include purchases of equipment with accounts payable in non-cash capital expenditures.

Purchases of Capital Assets through Capital Leases

Company	Year ended	Operating C/F ($000)	Capital Expenditures ($000)	Unadjusted FCF ($000)	Capital Leases ($000)	Adjusted FCF ($000)	% Reduction in FCF
Albertson's, Inc.	2004	$1,545,000	($1,022,000)	$523,000	$62,000	$461,000	12%
	2003	$2,060,000	($1,258,000)	$802,000	$75,000	$727,000	9%
	2002	$2,009,000	($1,167,000)	$842,000	$79,000	$763,000	9%
American Shared Hospital Services	2003	$8,140	($731)	$7,409	$5,198	$2,211	70%
	2002	$5,177	($1,346)	$3,831	$6,010	($2,179)	157%
	2001	$4,917	($724)	$4,193	$4,847	($654)	116%
Bakers Footwear Group, Inc.	2004	$8,801	($2,288)	$6,513	$1,022	$5,491	16%
	2003	($502)	($6,608)	($7,110)	$719	($7,829)	10%
	2002	$6,445	($3,334)	$3,111	$2,316	$795	74%
CTI Molecular Imaging, Inc.	2003	$16,505	($36,302)	($19,797)	$676	($20,473)	3%
	2002	$31,047	($29,433)	$1,614	$8,453	($6,839)	524%
	2001	($10,884)	($9,697)	($20,581)	$14,523	($35,104)	71%
Flowers Foods, Inc.	2004	$87,989	($43,618)	$44,371	$54,815	($10,444)	124%
	2002	$126,526	($48,811)	$77,715	$0	$77,715	0%
	2001	$70,748	($49,514)	$21,234	$59,665	($38,431)	281%
Marvell Technology Group Ltd.	2004	$149,813	($95,241)	$54,572	$18,476	$36,096	34%
	2003	$40,818	($28,780)	$12,038	$10,769	$1,269	89%
	2002	$50,017	($24,620)	$25,397	$11,360	$14,037	45%
Pathmark Stores, Inc.	2004	$90,800	($51,500)	$39,300	$10,500	$28,800	27%
	2003	$92,000	($92,600)	($600)	$15,800	($16,400)	2633%
	2002	$82,600	($116,500)	($33,900)	$1,4000	($47,900)	41%
Safeway, Inc.	2004	$1,609,600	($795,000)	$814,600	$113,200	$701,400	14%
	2002	$2,034,700	($1,395,700)	$639,000	$174,900	$464,100	27%
	2001	$2,232,300	($1,719,200)	$513,100	$82,300	$430,800	16%
The Pantry, Inc.	2003	$68,264	($20,103)	$48,161	$1,900	$46,261	4%
	2002	$53,984	($21,003)	$32,981	$2,700	$30,281	8%
	2001	$76,702	($39,821)	$36,881	$3,500	$33,381	9%
Williams-Sonoma, Inc.	2004	$209,351	($211,979)	($2,628)	$1,275	($3,903)	49%
	2003	$310,160	($155,450)	$154,710	$986	$153,724	1%
	2002	$205,006	($155,660)	$49,346	$9,015	$40,331	18%

Financing-Related Activities and Operating Cash Flow

Enron Corp. Bank-Sponsored Oil Pre-Pay Agreements



Financing Proceeds Reported as Operating Cash Flow

(In millions)	2000	1999
Current Assets		
Cash and cash equivalents	$ 1,374	$ 288
Trade receivables (net of allowance for doubtful accounts of $133 and $40, respectively)	10,396	3,030
Other receivables	1,874	518
Assets from price risk management activities	12,018	2,205
Inventories	953	598
Deposits	2,433	81
Other	1,333	535
Total current assets	38,981	12,255
Current Liabilities		
Accounts payable	$ 9,777	$ 2,154
Liabilities from price risk management activities	10,495	1,836
Short-term debt	1,679	1,001
Customers' deposits	4,277	44
Other	2,178	1,724
Total current liabilities	28,406	6,759

ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Operating Section)

(In millions)	Year ended December 31, 2000	1999	1998
Cash Flows From Operating Activities			
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 979	$ 893	$ 703
Cumulative effect of accounting changes	-	131	-
Depreciation, depletion and amortization	855	870	827
Impairment of long-lived assets (including equity investments)	326	441	-
Deferred income taxes	207	21	87
Gains on sales of non-merchant assets	(146)	(541)	(82)
Changes in components of working capital	1,769	(1,000)	(233)
Net assets from price risk management activities	(763)	(395)	350
Merchant assets and investments:			
Realized gains on sales	(104)	(756)	(628)
Proceeds from sales	1,838	2,217	1,434
Additions and unrealized gains	(1,295)	(827)	(721)
Other operating activities	1,113	174	(97)
Net Cash Provided by Operating Activities	4,779	1,228	1,640

Note the increase in operating cash flow during 2000.

Other operating activities provided over $1 billion of the increase.

Note too the line item "changes in components of working capital." Included here are net increases in customer deposits, or deferred revenue arising from the company's pre-pay agreements for oil.

The net increase in these deposits during 2000 provided nearly $2 billion of operating cash flow that should have been reported as financing cash flow.

Overdrafts Included in Financing Cash Flow

ADVANCE AUTO PARTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2016	2015	2014
Cash flows from operating activities (thousands):			
Net income	$459,622	$ 473,398	$ 493,825
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	258,387	269,476	284,693
Share-based compensation	20,452	36,929	21,705
Loss on property and equipment, net	5,999	12,882	13,281
Other	(2,039)	2,660	2,631
Provision (benefit) for deferred income taxes	20,213	(9,219)	48,468
Excess tax benefit from share-based compensation	(22,429)	(13,002)	(10,487)
Net (increase) decrease in, net of effect from acquisition of businesses:			
Receivables, net	(41,642)	(21,476)	(48,209)
Inventories, net	(144,603)	(244,096)	(227,657)
Other assets	14,421	7,423	(63,482)
Net (decrease) increase in, net of effect from acquisition of businesses:			
Accounts payable	(119,325)	119,164	216,412
Accrued expenses	49,341	35,103	(28,862)
Other liabilities	2,477	20,400	6,673
Net cash provided by operating activities	500,874	689,642	708,991
Cash flows from investing activities:			
Purchases of property and equipment	(259,559)	(234,747)	(228,446)
Business acquisitions, net of cash acquired	(4,697)	(18,889)	(2,060,783)
Proceeds from sales of property and equipment	2,212	270	992
Net cash used in investing activities	(262,044)	(253,366)	(2,288,237)
Cash flows from financing activities:			
(Decrease) increase in bank overdrafts	(5,573)	(2,922)	16,219
Borrowings under credit facilities	799,600	618,300	2,238,200
Payments on credit facilities	(959,600)	(1,041,700)	(1,654,800)
Dividends paid	(17,738)	(17,649)	(17,580)
Proceeds from the issuance of common stock, primarily for employee stock purchase plan	4,532	5,174	6,578
Tax withholdings related to the exercise of stock appreciation rights	(19,558)	(13,112)	(7,102)
Excess tax benefit from share-based compensation	22,429	13,002	10,487
Repurchase of common stock	(18,393)	(6,665)	(5,154)
Contingent consideration related to previous business acquisition	—	—	(10,047)
Other	(390)	(380)	(890)
Net cash (used in) provided by financing activities	(194,691)	(445,952)	575,911
Effect of exchange rate changes on cash	257	(4,213)	(4,465)
Net increase (decrease) in cash and cash equivalents	44,396	(13,889)	(1,007,800)

Overdrafts Included in Operating Cash Flow

SUPERVALU INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Fiscal Years Ended		
	February 25, 2017 (52 weeks)	February 27, 2016 (52 weeks)	February 28, 2015 (53 weeks)
Cash flows from operating activities			
Net earnings including noncontrolling interests	$ 654	$ 186	$ 199
Income from discontinued operations, net of tax	627	102	174
Net earnings from continuing operations	27	84	25
Adjustments to reconcile Net earnings from continuing operations to Net cash provided by operating activities—continuing operations:			
Goodwill and intangible asset impairment charges	15	6	—
Asset impairment and other charges	47	8	4
Loss on debt extinguishment	19	10	38
Net gain on sale of assets and exits of surplus leases	(1)	(2)	(13)
Depreciation and amortization	207	210	223
LIFO charge	1	3	8
Deferred income taxes	2	1	4
Stock-based compensation	18	22	20
Net pension and other postretirement benefits costs	18	34	96
Contributions to pension and other postretirement benefit plans	(62)	(40)	(169)
Other adjustments	3	20	29
Changes in operating assets and liabilities, net of effects from business combinations:			
Receivables	27	22	7
Inventories	(18)	(52)	(71)
Accounts payable and accrued liabilities	36	(33)	59
Income taxes	(23)	(8)	(14)
Other changes in operating assets and liabilities	(8)	(40)	(35)
Net cash provided by operating activities—continuing operations	308	245	211

From the notes . . .

Cash and Cash Equivalents

Supervalu considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents include amounts due from credit card sales transactions that are settled early in the following period. Supervalu's banking arrangements allow Supervalu to fund outstanding checks when presented to the financial institution for payment. Supervalu funds all intraday bank balance overdrafts during the same business day. Checks outstanding in excess of bank balances create book overdrafts, which are recorded in Accounts payable in the Consolidated Balance Sheets and are reflected as an operating activity in the Consolidated Statements of Cash Flows. As of February 25, 2017 and February 27, 2016 , Supervalu had net book overdrafts of $91 and $79 , respectively.

Note: During 2017, the increase in book overdrafts was $12 million ($91 minus $79), unduly increasing operating cash flow to $308 million as reported from $296.

A Change in the Reporting of Book Overdrafts

Aviall, Inc.

From the Statement of Cash Flows . . .

	Year 2	Year 1
OPERATING ACTIVITIES (000s):		
Net earnings	$ 11,628	9,703
Gain on disposal of discontinued operations	(1,062)	(4,588)
Nonrecurring loss	--	6,029
Depreciation and amortization	9,232	6,775
Compensation expense on restricted stock awards	371	104
Deferred income taxes	5,684	2,709
Reversal of valuation allowance on tax benefit from exercise of stock options in prior years	--	--
Tax benefit from exercise of stock options	23	128
Changes in:		
Receivables	(20,643)	(3,395)
Inventories	(26,319)	(24,880)
Accounts payable	31,594	3,448
Accrued expenses	(196)	(5,213)
Other, net	(2,644)	(2,800)
Net cash provided by (used for) operating activities	7,668	(11,980)

From the notes . . .

CASH AND CASH EQUIVALENTS. The Company considers all highly liquid, interest-bearing instruments with an original maturity of three months or less to be cash equivalents. The Company reclassifies cash overdrafts to accounts payable. Cash overdrafts included in accounts payable were $19.7 million and $4.5 million at Year 2 and Year 1, respectively.

By including book overdrafts in accounts payable and reporting the entire change in accounts payable in operating cash flow, the company has included the $15.2 million increase in overdrafts during Year 2 in operating cash flow.

In Year 4 the company changed its reporting of overdrafts and revised its cash flow statement accordingly, moving them to the financing section. Note the decline in operating cash flow for Years 2 and 3.

Aviall, Inc.: A Restatement of Operating Treatment for Overdrafts

	Year 4	Year 3	Year 2
OPERATING ACTIVITIES:			
Net earnings	$ 29,677	2,759	11,628
Gain on disposal of discontinued operations	(3,026)	(322)	(1,062)
Unusual items	(1,024)	2,810	--
Depreciation and amortization	17,124	11,630	9,232
Deferred income taxes	12,691	1,477	5,684
Paid-in-kind interest	739	89	--
Compensation expense on restricted stock awards	612	437	371
Tax benefit from exercise of stock options	75	--	23
Inventory and intangible write-downs	--	6,977	--
Extraordinary item	--	1,026	--
Changes in:			
Receivables	(20,088)	7,234	(20,643)
Inventories	(106,392)	(112,613)	(26,319)
Accounts payable	36,453	(3,657)	16,314
Accrued expenses	(747)	965	(196)
Other, net	(3,178)	85	(2,644)
Net cash used for operating activities	(37,084)	(81,103)	(7,612)
INVESTING ACTIVITIES:			
Purchase of distribution rights	(10,398)	(24,889)	(5,645)
Capital expenditures	(6,867)	(12,147)	(10,961)
Sales of property, plant and equipment	128	28	25
Net cash used for investing activities	(17,137)	(37,008)	(16,581)
FINANCING ACTIVITIES:			
Net change in revolving credit facility	31,847	54,922	16,004
Cash overdrafts	26,720	(12,285)	15,280
Debt repaid	(2,420)	(34,010)	(6,000)
Issuance of common stock	682	85	435
Debt issue costs paid	(89)	(13,478)	(437)
Debt proceeds	--	80,490	2,407
Issuance of redeemable preferred stock	--	40,051	--
Other	(48)	(3)	(16)
Net cash provided by financing activities	56,692	115,772	27,673

Book Overdrafts
In Summary

Reported operating cash flow should be adjusted for any changes in overdrafts that are included.

Evidence of a Company's policy with respect to overdrafts can be found in:

- The accounting policy note
- A note describing current liabilities, especially accounts payable
- The cash flow statement

Accounts Receivable Pledged – Accounted for as a Loan (Financing Cash Flow)

Accounts Receivable Pledged as Security for A Loan

ISS, Inc.
Accounts Receivable Factored WITH RECOURSE
Accounted for as a Borrowing
NOT as a Sale

Proceeds Accounted for as Financing Cash Flow

From the notes . . .

As of June 30, 2017 and June 30, 2016, our current and long-term debt consisted of the following:

	June 30, 2017	June 30, 2016
Demand note payable:		
Demand secured promissory note with a finance company to factor accounts receivable with recourse. This accounts receivable factoring facility has a factoring fee of 0.35% per 5 day period for which each invoice is outstanding	$ 91,485	$ 684,596
Line of credit with a bank secured with accounts receivable; maximum borrowing amount of $400,000; interest at Wall Street Journal prime rate (3.25% as of June 30, 2009 and 5.00% as of June 30, 2008) plus 2%; principal and accrued unpaid interest due on July 26, 2009	196,500	119,000
	$ 287,985	$ 803,596

Accounts Receivable Sold or Factored – Accounted for as a Sale (Operating Cash Flow

Factored Accounts Receivable

Factoring arrangements are a means of discounting accounts receivable on a nonrecourse, notification basis. Accounts receivable are sold outright, usually to a transferee (the factor) that assumes the full risk of collection, without recourse to the transferor in the event of a loss. Debtors are directed to send payments to the transferee. Thus, a factoring transaction is accounted for as a full sale of accounts receivable.

Sales of Receivables and Operating Cash Flow

When accounts receivable are accounted for as sale – whether through a factoring transaction or through a securitization transaction – the proceeds received are accounted for as operating cash flow. Because they are, in effect, sales of accounts receivable, it is proper (from an accounting point of view) to include the proceeds from securitization transactions in operating cash flow.

The problem is that an outright sale or securitization of accounts receivable transfers what would be future operating cash flow into the current period.

Accounts receivable that would be open and uncollected at period's end, providing operating cash flow as they are collected in an upcoming period, are instead collected in the current period. Thus, a portion of operating cash flow in the current period is borrowed from the future.

While new receivables may be sold or securitized in that future period, new receivables would only serve to replace those sold previously.

Only an incremental amount of receivables sold would serve to increase operating cash flow. Worse, in the future, if a company sought to reduce the amount of receivables sold or securitized, operating cash flow would decline.

Factored Accounts Receivable
(Sale of Accounts Receivable)
Temporary Boost to Operating Cash Flow

BROADCOM LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	November 1, 2015
		(In millions)	
Cash flows from operating activities:			
Net income (loss)	$ 1,784	$ (1,861)	$ 1,364
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,737	3,042	962
Share-based compensation	921	679	232
Excess tax benefits from share-based compensation	—	(89)	(125)
Deferred taxes and other non-cash taxes	(173)	365	(220)
Non-cash portion of debt extinguishment loss, net	166	100	10
Non-cash restructuring, impairment and disposal charges	71	662	77
Amortization of debt issuance costs and accretion of debt discount	24	36	22
Other	7	(6)	32
Changes in assets and liabilities, net of acquisitions and disposals:			
Trade accounts receivable, net	(267)	(491)	(187)
Inventory	(39)	996	62
Accounts payable	(97)	33	29
Employee compensation and benefits	109	163	8
Contributions to defined benefit pension plans	(361)	(33)	(54)
Other current assets and current liabilities	(490)	(98)	12
Other long-term assets and long-term liabilities	159	(87)	94
Net cash provided by operating activities	6,551	3,411	2,318

From the notes . . .

During fiscal year 2017, we also entered into a trade accounts receivable factoring facility with a third-party financial institution to sell certain of our trade accounts receivable on a non-recourse basis for amounts of up to $100 million from time to time. Total trade accounts receivable sold under the factoring agreement were $178 million during fiscal year 2017 .

Note that operating cash flow in 2017 was increased by $178 million through a factoring agreement, effectively borrowing operating cash flow from 2018. Without this agreement, operating cash flow would have been $178 million lower or $6,373.

Securitized Accounts Receivable – Accounted for as a Sale (Operating Cash Flow)

In a securitization transaction, accounts receivable are pooled. An undivided interest in the receivables pool, which represents a claim on the entire pool of receivables, is sold, effectively creating a security that is backed by the receivables.

The sale itself is done on what is referred to as a "continuous basis," where receivables are sold and proceeds are received, and then as those receivables are collected, they are replaced with new ones in a revolving fashion.

To facilitate the securitization transaction, a bankruptcy-remote, special purpose entity is created into which the sponsoring company transfers its receivables. The establishment of a special entity is necessary so that the sponsoring company can separate the receivables from its own assets.

The bankruptcy-remote status of the entity means that in the event the sponsoring company experiences financial difficulties, creditors would not have access to the special purpose entity's assets.

Until recently, virtually all securitization transactions were afforded sale treatment and the sales proceeds were reported as operating cash flow.

With SFAS 166, (also known as an amendment to Topic 860 of the Accounting Standards Codification), "Accounting for Transfers of Financial Assets," a securitization must result in the selling entity giving up effective control to the transferred assets. Specifically, a) there should be no agreement that obligates the transferor to repurchase the underlying assets before maturity, b) there should be no agreement that causes the transferee to return any of the underlying assets, or c) there should be no agreement that permits the transferee to require the transferor to repurchase transferred assets at a price that is so favorable to the transferee that it is probable that a repurchase will occur.

In other words, it's a sale without recourse. A securitization that is a sale is accounted for as a sale. Securitization proceeds are reported as operating cash flow. A securitization that is not a sale is accounted for as a secured borrowing. Securitized proceeds are accounted for as financing cash flow.

While all of a company's receivables may be transferred into the special purpose entity, only eligible receivables, those from selected customers with pre-established credit quality, are available for sale. The entity itself sells an undivided interest in eligible receivables to an unrelated party, usually a financial institution, which might represent one or more investment interests.

Typically debt financing, often commercial paper, is used to finance the purchase of the undivided interest in the receivables. As a result of the sale, proceeds are received by the special purpose entity in an amount that is based on a formula that considers the amount of eligible receivables sold.

The receivables themselves are typically purchased from the entity at a discount. That discount is designed to cover any interest costs on monies borrowed to finance their purchase.

The sponsoring company typically retains an interest in the receivables sold. Accordingly, the amount of receivables underlying the securitization transaction will exceed the proceeds received by the entity.

This retained interest provides a cushion that is designed to absorb unexpected credit losses, protecting investors from loss. The goal is to eliminate virtually all risk of collection for the purchaser of the undivided interest in the receivables.

The sponsoring company continues to service the receivables. As collections are made, cash is forwarded to the special purpose entity. Discounts on receivables sold are used to service borrowings undertaken to purchase the receivables. Remaining cash is used to purchase new receivables on a continuous basis as they are transferred to the special purpose entity.

Meritor, Inc.
Disclosure of Securitized Receivables in Operating Cash Flow

Excerpts from the Statement of Cash Flows

	Year Ended September 30,		
	2017	**2016**	**2015**
OPERATING CASH FLOWS			
Income from continuing operations	$ 329	$ 579	$ 66
Depreciation and amortization	75	67	65
Loss on debt extinguishment	36	—	25
Deferred income tax expense (benefit)	38	(415)	(24)
Pension and retiree medical expense	11	20	82
Gain on sale of equity investment	(243)	—	—
Gain on sale of property	—	(2)	(3)
Goodwill and asset impairment charges	4	—	17
Equity in earnings of affiliates	(48)	(36)	(39)
Restructuring costs	6	16	16
Dividends received from equity method investments	44	37	32
Pension and retiree medical contributions	(38)	(42)	(141)
Restructuring payments	(15)	(11)	(16)
Decrease (increase) in working capital	(70)	28	(12)
Changes in off-balance sheet accounts receivable securitization	26	(31)	39
Other, net	24	(1)	—
Cash flows provided by continuing operations	179	209	107

From the notes:

We generally fund our operating and capital needs with cash on hand, cash flow from operations, our various accounts receivable securitization and factoring arrangements and availability under our revolving credit facility. Cash in excess of local operating needs is generally used to reduce amounts outstanding, if any, under our revolving credit facility or U.S. accounts receivable securitization program.

Note: Operating cash flow should be adjusted downward for incremental proceeds received from securitization transactions. It should be adjusted upward for declines in securitization proceeds. In this case, operating cash flow should be adjusted downward by $26 million.

Securitization Proceeds Included in Financing Cash Flow

ARAMARK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 29, 2017 , SEPTEMBER 30, 2016 AND OCTOBER 2, 2015
(in thousands)

	Fiscal Year Ended		
	September 29, 2017	September 30, 2016	October 2, 2015
Cash flows from operating activities:			
Net income	$ 374,187	$ 288,232	$ 236,976
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	508,212	495,765	504,033
Income taxes deferred	(37,856)	52,416	(4,108)
Share-based compensation expense	65,155	56,942	66,416
Changes in operating assets and liabilities:			
Receivables	(111,423)	(32,859)	81,284
Inventories	(21,147)	(9,625)	(29,587)
Prepayments	95,536	(64,663)	9,763
Accounts payable	93,965	4,486	(46,422)
Accrued expenses	26,804	67,600	4,474
Changes in other noncurrent liabilities	31,959	(33,711)	(52,136)
Changes in other assets	(9,342)	(10,189)	13,595
Other operating activities	37,337	52,920	17,904
Net cash provided by operating activities	1,053,387	867,314	802,192

ARAMARK AND SUBSIDIARIES (cont'd)

Cash flows from investing activities:			
Purchases of property and equipment, client contract investments and other	(552,729)	(512,532)	(524,384)
Disposals of property and equipment	18,906	26,824	19,128
Acquisition of certain businesses:			
Working capital other than cash acquired	8,114	10,226	(143)
Property and equipment	(2,273)	(32,989)	—
Additions to goodwill, other intangible assets and other assets, net	(147,963)	(176,614)	(3,234)
Other investing activities	(2,539)	5,340	4,299
Net cash used in investing activities	(678,484)	(679,745)	(504,334)
Cash flows from financing activities:			
Proceeds from long-term borrowings	3,851,417	1,399,988	71,926
Payments of long-term borrowings	(3,911,992)	(1,363,534)	(209,621)
Net change in funding under the Receivables Facility	(13,800)	(82,000)	—
Payments of dividends	(100,813)	(92,074)	(81,898)
Proceeds from issuance of common stock	28,779	35,705	39,946
Repurchase of common stock	(100,000)	(749)	(50,176)
Other financing activities	(42,277)	(54,741)	(57,309)
Net cash used in financing activities	(288,686)	(157,405)	(287,132)
Increase in cash and cash equivalents	86,217	30,164	10,726
Cash and cash equivalents, beginning of period	152,580	122,416	111,690
Cash and cash equivalents, end of period	$ 238,797	$ 152,580	$122,416

NOTE 12. ACCOUNTS RECEIVABLE SECURITIZATION:
The Company has an agreement (the "Receivables Facility") with three financial institutions where we sell on a continuous basis an undivided interest in all eligible trade accounts receivable, as defined in the Receivables Facility. The maximum amount available under the Receivables Facility is $350.0 million , which expires in May 2019. In addition, the Receivables Facility includes a seasonal tranche which increases the capacity of the Receivables Facility and increases the maximum amount available by $50.0 million . Pursuant to the Receivables Facility, the Company formed ARAMARK Receivables, LLC, a wholly-owned, consolidated, bankruptcy-remote subsidiary. ARAMARK Receivables, LLC was formed for the sole purpose of buying and selling receivables generated by certain subsidiaries of the Company. Under the Receivables Facility, the Company and certain of its subsidiaries transfer without recourse all of their accounts receivable to ARAMARK Receivables, LLC. As collections reduce previously transferred interests, interests in new, eligible receivables are transferred to ARAMARK Receivables, LLC, subject to meeting certain conditions.
At September 29, 2017 and September 30, 2016 , the amount of outstanding borrowings under the Receivables Facility was $ 254.2 million and $268.0 million , respectively, and is included in "Long-Term Borrowings" in the Consolidated Balance Sheets.

In this case, the securitization transaction did not meet all requirements for sale treatment. As such, proceeds from the securitization are reported as financing cash flow. No adjustment to operating cash flow is needed.

Extended Payment Terms

Fleet Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31 2017	2016	2015
Operating activities			
Net Income	$147,335	$107,896	$ 89,052
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,451	11,261	9,648
Stock-based compensation	21,743	26,755	2,666
Provision for losses on accounts receivable	19,226	18,883	32,593
Amortization of deferred financing costs	1,864	2,016	1,842
Amortization of intangible assets	19,590	17,205	13,900
Amortization of premium on receivables	3,266	3,263	3,257
Deferred income taxes	(2,920)	(3,952)	4,395
Loss on early extinguishment of debt	2,669	—	—
Changes in operating assets and liabilities (net of acquisitions):			
Restricted cash	6,579	5,639	3,243
Accounts receivable	(80,024)	(38,960)	2,345
Prepaid expenses and other current assets	17,581	(3,506)	11,002
Other assets	(1,935)	63	(370)
Excess tax benefits related to stock-based compensation	(13,727)	(10,710)	—
Accounts payable, accrued expenses, and customer deposits	126,927	3,902	5,217
Net cash provided by operating activities	279,625	139,755	178,790

From the income statement and balance sheet. . .

Revenue	$519,591	$433,841
Accounts payable	478,882	177,644

Calculation of Adjusted Operating Cash Flow:

Revenue per day	1,423.5	1,188.6
Days Accounts Payable	336.4	149.5
Operating cash flow provided by increase in accounts payable:		
Increase in days A/P	186.9	
Increase in operating cash flow (Days A/P X Revenue per day)	$266,052	
Reported operating cash flow	279,625	
Adjust for increase in accounts payable	(266,052)	
Adjusted operating cash flow	13,573	

Cash Flow Classification of Sale and Leaseback Transactions

In general, accounting standards for sale and leasebacks are designed to treat them as financing transactions.

In effect, the seller has borrowed against its equity in the asset that has been sold.

The financing nature of the transactions notwithstanding, accounting standards do not specify how the proceeds from a sale and leaseback transaction should be reported. Companies are generally split between reporting the proceeds as investing cash flow or as financing cash flow.

When calculating free cash flow, any proceeds from sale and leaseback transactions, whether reported in investing cash flow or financing cash flow, should be netted against the outflow for capital expenditures.

Sale and Leaseback Proceeds Reported as Financing Cash Flow

MICRON TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended	**August 31, 2017**	**September 1, 2016**	**September 3, 2015**
Cash flows from operating activities (millions)			
Net income (loss)	$ 5,090	$ (275)	$ 2,899
djustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation expense and amortization of intangible assets	3,861	2,980	2,667
Amortization of debt discount and other costs	125	126	138
Stock-based compensation	215	191	168
Loss on debt repurchases and conversions	99	4	49
Gain on remeasurement of previously-held equity interest in Inotera	(71)	—	—
Equity in net (income) loss of equity method investees	(8)	(25)	(447)
Change in operating assets and liabilities			
Receivables	(1,651)	465	393
Inventories	50	(549)	116
Accounts payable and accrued expenses	564	272	(691)
Payments attributed to intercompany balances with Inotera	(361)	—	—
Deferred income	218	(6)	(105)
Other	22	(15)	21
Net cash provided by operating activities	8,153	3,168	5,208
Cash flows from investing activities			
Expenditures for property, plant, and equipment	(4,734)	(5,817)	(4,021)
Acquisition of Inotera	(2,634)	—	—
Purchases of available-for-sale securities	(1,239)	(1,026)	(4,392)
Payments to settle hedging activities	(274)	(152)	(132)
Proceeds from sales and maturities of available-for-sale securities	970	3,690	2,248
Proceeds from settlement of hedging activities	184	335	56
Other	190	(74)	25
Net cash provided by (used for) investing activities	(7,537)	(3,044)	(6,216)
Cash flows from financing activities			
Proceeds from issuance of debt	3,311	2,199	2,212
Proceeds from issuance of stock under equity plans	142	48	74
Proceeds from equipment sale-leaseback transactions	—	765	291
Repayments of debt	(2,558)	(870)	(2,329)
Payments on equipment purchase contracts	(519)	(46)	(95)
Cash paid to acquire treasury stock	(35)	(148)	(884)
Other	8	(203)	13
Net cash provided by (used for) financing activities	349	1,745	(718)

Sale and Leaseback Proceeds Reported as Investing Cash Flow

Good Times Restaurants Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(*In thousands*)

	Fiscal 2017	Fiscal 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,605)	$ (465)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,101	2,336
Accretion of deferred rent	636	423
Amortization of lease incentive obligation	(314)	(218)
(Gain) loss on disposal of assets	(23)	(25)
Asset impairment costs	219	0
Stock based compensation expense	748	718
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Other receivables	(148)	(236)
Inventories	(216)	(121)
Deposits and other assets	35	(341)
(Decrease) increase in:		
Accounts payable	777	(89)
Deferred liabilities	1,413	2,161
Accrued and other liabilities	360	1,255
Net cash provided by operating activities	4,983	5,398
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of property and equipment	(14,513)	(8,501)
Proceeds from sale leaseback transactions	1,927	0
Payment of the purchase of non-controlling interest	(54)	0
Proceeds from sale of assets	0	6
Payments received on loans to franchisees and to others	12	13
Net cash used in investing activities	(12,628)	(8,482)

Adjusted Free Cash Flow Calculations for Sale and Leaseback Transactions

Company	Fiscal YE	Operating Cash Flow	CAPX net of Dispositions including Sale & Leaseback Proceeds	Free Cash Flow including Sale & Leaseback Proceeds	Sale and Leaseback Proceeds	Free Cash Flow excluding Sale & Leaseback Proceeds
AAR Corp.	05/31/04	14,572,000	6,728,000	21,300,000	13,991,000	7,309,000
ADE Corp	04/30/04	8,601,000	8,993,000	17,594,000	10,100,000	7,494,000
Air Products & Chemicals	09/30/01	1,084,000,000	(211,300,000)	872,700,000	301,900,000	570,800,000
AMC Entertainment	04/02/98	90,799,000	(87,306,000)	3,493,000	283,800,000	(280,307,000)
Apogee Enterprises	02/28/04	18,590,000	(7,421,000)	11,169,000	4,000,000	7,169,000
Applied Extrusion Technologies	09/30/02	(4,021,000)	(7,028,000)	(11,049,000)	18,225,000	(29,274,000)
Buffets Inc.	07/02/03	57,656,000	812,000	58,468,000	26,117,000	32,351,000
Carmax Inc.	02/28/04	148,464,000	(73,845,000)	74,619,000	107,000,000	(32,381,000)
Cinemark USA	12/31/98	64,077,204	(235,689,834)	(171,612,630)	145,400,000	(317,012,630)
CKE Restaurants	01/31/02	71,537,000	42,775,000	114,312,000	16,494,000	97,818,000
Cole National Corp	02/02/02	63,218,000	(22,643,000)	40,575,000	5,700,000	34,875,000
CVS Corp	12/29/01	680,600,000	(377,700,000)	302,900,000	323,300,000	(20,400,000)
Dave & Busters	02/03/02	49,626,000	(30,877,000)	18,749,000	18,474,000	275,000
Discount Auto Parts	05/29/01	51,925,000	17,982,000	69,907,000	59,731,000	10,176,000
Friendly Ice Cream Corp	12/30/01	15,472,000	42,753,000	58,225,000	33,700,000	24,525,000
Frontier Airlines	03/31/04	128,017,806	(134,309,364)	(6,291,558)	12,306,000	(18,597,558)
Garden Fresh Restaurant	09/30/03	17,970,000	(8,113,000)	9,857,000	3,097,000	6,760,000
Krispy Kreme	08/01/04	50,033,000	(21,429,000)	28,604,000	17,300,000	11,304,000
Macromedia Inc.	03/31/02	(42,059,000)	4,733,000	(37,326,000)	22,125,000	(59,451,000)
Max & Erma's Restaurants	10/29/00	7,475,137	(2,710,247)	4,764,890	19,800,000	(15,035,110)
McGraw-Hill Companies	12/31/03	1,382,345,000	387,681,000	1,770,026,000	382,100,000	1,387,926,000
Michaels Stores	02/02/02	177,257,000	(101,644,000)	75,613,000	26,886,000	48,727,000
Roadhouse Grill Inc.	04/25/04	3,783,000	2,932,000	6,715,000	2,600,000	4,115,000
Steak & Shake	09/26/01	40,132,865	(10,596,223)	29,536,642	22,558,541	6,978,101
Timco Aviation Services	12/31/02	6,600,000	(1,314,000)	5,286,000	2,246,000	3,040,000
TruServ Corp	12/31/02	104,095,000	115,103,000	219,198,000	121,438,000	97,760,000
Tweeter Home Entertainment	09/30/03	10,306,721	(11,577,678)	(1,270,957)	12,551,118	(13,822,075)
Wilson the Leather Experts	02/01/03	(37,330,000)	3,792,000	(33,538,000)	12,546,000	(46,084,000)
WorldWide Rest. Concepts	04/30/03	21,434,000	(14,431,000)	7,003,000	1,600,000	5,403,000

Interest Rate Swap Termination Cash Flow Classification

As seen in the table below, there is no consistency in the classification of cash flows arising from terminations of interest-rate swaps.

Classifications by Hedge Type and Swap-Termination Cash Flows

	Hedge Type		Classification	
Company	Fair Value	Cash Flow	OCF	FCF
AirGas	X			X
Alliant TechSystems	X		X	
ARVINMERITOR	X		X	
Brookdale Senior Living		X		X
Brandywine Realty Trust		X		X
CBRE Realty Finance		X		X
Coca-Cola Enterprises	X			X
Crown Castle International		X		X
CSK Auto	X		X	
Cytec Industries		X	X	
Dominion Homes		X		X
Dry Bulk Cape Holdings		X	X	
Exelon		X	X	
Felcor Lodging		X	X	
Foundation Coal		X		X
Fountain Powerboats		X		X
Healthcare Realty Trust	X			X
Host Hotels and Resorts	X			X
Huttig Building Products		X	X	
Jabil Circuit	X			X
JER Investors Trust		X		X
Multi-Color	X			X
National Rural Utilities	-	-	X	
Newell Rubbermaid	X		X	
NiSource		X	X	
New York Community Bank	X		X	
OMI		X	X	
ONEOK		X		X
Regency Energy Partners		X	X	
Salem Communications	X			X
Sanmina-SCI	X			X
Schulman, A.	X		X	
Speedway Motorsports	X		X	
Spirit Finance		X		X
Stanley Works		X		X
Texas Industries	X			X
Toys “R” Us	X		X	
U.S. Concrete	X		X	
Valero Energy	X			X
Waddell & Reed Financial		X		X
Wolverine Tube	X			X

Interest Rate Swap Termination Cash Flow Classification (cont'd)

Replies from Company Financial Officers about their Classification Decisions

Cash classified into financing cash flow

Response 1 (cash-flow hedge)
"Since our Company does not authorize speculative hedges, the swap had to be terminated (the debt that was the hedge target was prepaid). Since this was a direct result of a financing activity (i.e., the repayment of debt), we felt it appropriate to classify the termination consistent with the cause." (Tufco Technologies, CFO)

Response 2 (fair-value hedge)
"We determined that our interest rate swaps were considered a 'hedge of the changes in fair value of the fixed-rate debt attributable to changes in the designated benchmark interest rate' as described in Example 2 in Appendix B of SFAS No. 133. Therefore, the cash flows from the sale of the interest rate swaps were classified in the same category as the cash flows from the item being hedged (the underlying debt)."

"We base this classification using the guidance in SFAS 95 paragraph 14, footnote 4, which states: Cash flows from a derivative instrument that is accounted for as a fair value or cash flow hedge may be classified in the same category as the cash flows from the items being hedged."[7]

"In the light of your question, we have reviewed our past accounting policy. If we entered into a swap today, we may not designate our swap as a hedge of the fair value of our debt, but rather of our interest payments. In this situation, we would classify the cash flows in operating activities." (Nordstrom, Inc., Financial Reporting Manager).

Response 3 (fair-value hedge)
"We report proceeds from the settlement of interest rate swaps in the financing section of the statement of cash flows, consistent with your (the authors) finding that this is how most companies treat this proceeds." (Clorox, V.P. and Assistant Controller)

Response 4 (fair-value hedge) summary of a phone conversation
"We initially believed cash associated with swap terminations to be operating cash flow. However, we reconsidered and focused on the association of the swap to a debt instrument as well the fact that the cash inflows and outflow associated with swap terminations are neither operating in nature nor sustainable." (Chief Accountant of Praxair, Inc.).

Cash classified into operating cash flow

Response 1 (fair-value hedge)
"As we reconsidered the classification from the termination of the swap, we determined that since the original intent of the swap was to reduce cash interest costs, which is a component of operating cash flow, the termination proceeds from the swap should be reported there as well." (Hanger Orthopedic, which changed in 2004 from classification into financing cash flow, Chief Financial Officer).

"There is no specific guidance on termination receipts. We followed the guidance that the benefit or cost of a hedge should follow the item of expense that the hedge is meant to control. In our case we classified the P&L benefit of the hedge, while it was in place, as a reduction of interest expense. It only makes sense that you would follow the same logic on the cash flow of the termination benefit."

Response 2 (Swaps were not classified as hedges under SFAS No. 133)
"When we terminate an agreement (an interest rate swap), we will either receive a payment or make a payment, which we consider to be part of our cost of operating for the period. While derivatives are considered financial instruments, they are significantly different from our other debt instruments. When we enter into a swap agreement, we do not receive cash proceeds as we do when we issue a debt instrument. During the life of an interest rate exchange agreement the counterparties only exchange the net difference in payment amounts. Each payment period, the company is either a net payer or net receiver based on the terms of the agreement. If the company is a net payer, we consider the amount paid to be an addition to the interest expense paid on debt or our cost of funding for the period. If the company is a net receiver, we consider the amount received to be a reduction to interest expense paid on debt or our cost of funding for the period. When a swap agreement is terminated early, a payment is made between the parties to settle based on the net present value of the current estimate of the future payments that would have been required or the fair value of the position. Thus, the termination settlement payment is similar to the periodic settlements, rather than to the repayment of principal when a debt obligation is retired." (National Rural Utilities CFC, Chief Financial Officer)

Response 3 (fair-value hedge)
"Under SFAS No. 104 (*Statement of Cash Flows—Net Reporting of Certain Cash Receipts and Cash Payments and Classification of Cash Flows from Hedging Transactions, an amendment of SFAS No. 95*), since we classify the interest payments on debt as an operating cash outflow, the cash inflow upon the termination of related interest rate swaps is also classified as an operating activity."

"In paragraph 40 of SFAS 104, the FASB 'concluded that cash flows from an interest rate swap intended to effectively convert the interest rate of an asset or liability from variable to fixed or fixed to variable may be classified as operating cash flows consistent with the interest cash flows relating to the underlying asset or liability'"

"There is no specific guidance on the classification of termination receipts or payments. We followed the guidance that the benefit or cost of a hedge should follow the item of expense that the hedge is meant to control. In our case we classified the P&L benefit of the hedge, while it was in place, as a reduction of interest expense. It only makes sense that you would follow the same logic on the cash flow from the termination benefit." (Textron, SVP and Corporate Controller).

Income Taxes and Operating Cash Flow
Taxes on Nonoperating Items

GAAP requires that all taxes, regardless of the source of income or loss giving rise to them, are to be reported in the operating section of the cash flow statement.

Examples - income taxes paid or received related to the following non-operating items are included with operating cash flow.

- Tax savings arising from a loss on early retirement of debt, or taxes paid from a gain on early debt retirement.
- Taxes paid on a gain arising from the sale of an investment or in PP&E

Because of the inherent non-recurring nature of taxes paid or received on non-operating items, such taxes should be removed from operating cash flow.

Operating cash flow adjusted for such non-recurring taxes would be more sustainable and more representative of a company's ability to generate a sustainable cash flow stream.

Operating Cash Flow
And Loss on Early Debt Retirement

DIGITAL DOMAIN MEDIA GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor			Predecessor
	Year Ended December 31,		For the Period from January 7 (the inception date) through December 31,	For the Nine Months Ended September 30,
	2017	2016	2015	2015
Revenues:				
Production revenues	$ 95,611	$ 101,859	$ 15,582	$ 48,360
Grant revenues from governmental agencies	2,955	3,340	6,800	—
Licensing revenue	60	—	—	—
Total revenues	98,626	105,199	22,382	48,360
Costs and expenses:				
Cost of revenues, excluding depreciation and amortization	93,839	83,894	11,964	44,554
Depreciation expense	13,308	7,349	1,436	5,157
Selling, general and administrative expenses	63,137	25,479	5,172	10,929
Amortization of intangible assets	3,451	2,935	734	—
Total costs and expenses	173,735	119,657	19,306	60,640
Operating income (loss)	(75,109)	(14,458)	3,076	(12,280)
Other income (expenses):				
Interest and finance expense:				
Issuance of and changes in fair value of warrant and other debt-related liabilities	(35,820)	(24,321)	(296)	(11,932)
Amortization of discount and issuance costs on notes payable	(13,201)	(3,633)	(644)	(599)
Losses on debt extinguishments	**(18,256)**	**—**	**—**	**(6,311)**
Interest expense on notes payable	(3,495)	(2,790)	(530)	(1,971)
Interest expense on capital lease obligations	(302)	(245)	—	(223)
Adjustment of held interest in business combination	—	—	3,528	—
Other income (expense), net	2,095	254	122	108
Income (loss) before income taxes	(144,088)	(45,193)	5,256	(33,208)
Income tax expense (benefit)	132	25	—	—
Income (loss) from continuing operations	(144,220)	(45,218)	5,256	(33,208)

A loss on debt retirement is reported as other (expense).

Loss on debt extinguishments

During 2017, we recognized $18.3 million from losses on debt extinguishments and conversions of debt to equity, as shown below (in thousands):

Commercial Lender loan purchased by Comvest Capital II	$ 3,314
Extension of voluntary conversion feature	2,226
Conversion of debt to equity upon minimum capital raise	1,164
Modification of conversion limits	9,991
Conversion of debt to equity upon IPO	1,561
Total loss on debt extinguishments	**$ 18,256**

DDM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor			Predecessor
	Year Ended December 31,		For the Period from January 7 (the inception date) through December 31,	For the Nine Months Ended September 30,
	2017	2016	2015	2015
Cash flows from operating activities:				
Net income (loss) before non-controlling interests	$ (144,220)	$ (45,218)	$ 5,256	$ (26,396)
Adjustments to reconcile net income (loss) before non-controlling interests to net cash provided by (used in) operating activities:				
Depreciation and amortization of property and equipment and intangible assets	16,758	10,284	2,170	5,194
Amortization of discount on and issuance costs of notes payable	13,201	3,633	644	8,246
Interest added to principal on notes payable	173	270	97	631
Gain on sale of discontinued operations	—	—	—	(9,241)
Changes related to fair value of warrant and other debt—related liabilities	35,820	24,321	296	11,932
Loss on debt extinguishments	**18,256**	—	—	—
Stock-based compensation	26,725	1,852	285	2,476
Adjustment of held interest in business combination		—	(3,528)	—
Interest on government obligation	543	51	—	—
Warrants issued to service providers	—	1,967	—	—
Increase in earn out liability	53	—	—	—
Changes in operating assets and liabilities, net of effect of acquisitions:				
Contracts receivable	(728)	725	(3,164)	(927)
Tax credits receivable	(2,365)	—	—	—
Prepaid expenses and other assets	(4,469)	(439)	(55)	257
Film inventory	(4,034)	(694)	—	—
Accounts payable and accrued liabilities	3,203	4,677	(4,369)	2,570
Advance payments and deferred revenue	(7,340)	11,555	4,299	4,590
Contract obligations	—	(5,524)	(1,526)	—
Deferred income tax liability	(196)	—	—	—
Unearned revenue	3,533	—	—	—
Deferred grant revenue from governmental agencies	2,894	8,160	3,200	—
Net cash provided by (used in) operating activities	(42,193)	15,620	3,605	(668)

DDM GROUP, INC. AND SUBSIDIARIES (cont'd)

Cash flows from investing activities:				
Proceeds from sale of discontinued operations—net of cash sold	—	—	—	10,497
Purchases of property and equipment	(17,227)	(10,640)	(1,393)	(1,701)
Purchases of common stock	—	(3,555)	(90)	—
Purchase of business-net of cash acquired	—	—	(1,137)	—
Changes in restricted cash	907	(65)	(914)	—
Land acquired from government grants	—	(27)	—	—
Investment in equity investments	(2,205)	—	—	—
Net cash provided by (used in) investing activities	(18,525)	(14,287)	(3,534)	8,796
Cash flows from financing activities:				
Stockholders distributions		—	(8,588)	(1,255)
Proceeds from sale of common stock	89,821	998	—	—
Proceeds from issuance of notes payable, preferred stock, and warrants	19,400	23,315	14,000	800
Purchase of warrants	(8,000)	—	—	—
Exercise of Series B preferred stock put	(5,000)	—	—	—
Payments of stock issuance costs	(5,321)	—	—	—
Offering costs paid	(8,191)	—	—	(650)
Repayments on notes payable	**(3,054)**	**(16,064)**	**—**	**(9,995)**
Payments on capital lease obligations	(1,052)	(1,843)	(370)	(1,221)
Payments of debt issuance costs	(506)	(761)	(55)	—
Deposit received on common stock	—	60	—	—
Net cash provided by (used in) financing activities	78,097	5,705	4,987	(12,321)
Effect of exchange rates on cash and cash equivalents	48	(110)	—	—
Net increase (decrease) in cash and cash equivalents	17,427	6,928	5,058	(4,193)
Cash and cash equivalents at beginning of period	11,986	5,058	—	6,056
Cash and cash equivalents at end of period	**$ 29,413**	**$ 11,986**	**$ 5,058**	**$ 1,863**

The loss on debt retirement is added back to net income in computing operating cash flow. The loss saved the company approximately $6,390 in taxes paid (18,256 X 35%), providing a one-time boost to operating cash flow. Note the pre-tax repayment of long term debt for $19,118 (3,054 + 16,064) reported in financing cash flow.

Income Taxes Paid on Investment Gain
CA Foods, Inc.

Dollars in millions	2017	2016	2015
Cash flows from operating activities:			
Net income	$ 641.5	$ 811.3	$ 763.8
Income (loss) from discontinued operations	(21.6)	97.3	(52.2)
Income from continuing operations	663.1	714.0	816.0
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:			
Depreciation and amortization	350.9	345.4	368.9
Gain on sale of Pilgrim's Pride Corp common stock	(185.7)	—	—
Undistributed earnings of affiliates	(21.6)	(19.1)	(45.9)
Non-cash impairment and casualty losses	120.8	—	—
(Gain)/loss on sale of fixed assets and investments	(6.1)	(42.2)	34.0
Changes in amounts sold under the accounts receivable securitization, net	—	(470.0)	(135.5)
Cumulative effect of changes in accounting	—	13.1	(3.9)
Other items (includes pension and other postretirement benefits)	117.3	66.3	(70.9)
Change in operating assets and liabilities before effects of business acquisitions and dispositions:			
Accounts receivable	12.5	(89.9)	39.2
Inventory	(105.0)	(173.9)	(139.7)
Prepaid expenses and other current assets	45.1	230.7	1.5
Accounts payable	(135.9)	217.7	(168.7)
Accrued liabilities	(18.2)	(86.6)	232.5
Net cash flows from operating activities – continuing operations	837.2	705.5	927.5
Net cash flows from operating activities – discontinued operations	271.4	(124.5)	(252.0)
Net cash flows from operating activities	1,108.6	581.0	675.5
Cash flows from investing activities:			
Additions to property, plant and equipment	(453.4)	(348.6)	(369.8)
Sale of investment in Swift Foods and UAP preferred securities	229.5	—	—
Sale of Pilgrim's Pride Corporation common stock	282.5	—	—
Sale of businesses and property, plant and equipment	94.5	91.0	826.0
Notes receivable and other items	(8.3)	42.9	158.2
Net cash flows from investing activities – continuing operations	144.8	(214.7)	614.4

Entire pre-tax gain of $185.7 million is removed from operating cash flow. Taxes paid on gain remain, reducing operating cash flow by approximately $83 million, or 10%. Note the inclusion of pre-tax proceeds from sale, $282.5 million, in investing cash flow.

Tax Benefits from Stock Options

Non-qualified stock option plans provide the issuing firm with a tax deduction for the difference between the exercise price of the granted option and the market price of the underlying stock on the date of exercise.

A tax-paying company receives a reduction in cash taxes paid in the year of exercise equal to its marginal tax rate times the option-related tax deduction. This options related tax benefit is recorded as operating cash flow.

Earlier, when the options were granted, the company recorded compensation expense for the fair value of the options granted. This expense was spread out over the employees' service period – typically the option vesting period.

While the options related tax benefit is recorded as operating cash flow, this is a change in GAAP effective in 2017.

Any options-related tax benefit related to compensation expense that has been recorded will not typically be shown separately in the operating section of the cash flow statement. Rather, the benefit is reflected in deferred tax expense (as a reversal of a previously-recorded deferred tax asset).

The total amount of any tax benefit from stock options can be estimated by a) determining the total tax deduction arising from stock option grants (number of shares exercised x difference between average exercise price and average market price per share and then b) multiplying this total deduction by the marginal federal and state income tax rate (e.g., 25%).

Example:

Assume that in 2017, AZX, Inc. reports $0 income for book purposes. For tax purposes, the company reports the exercise of stock options on 1,000 shares. The market price of the shares is $10, their exercise price is $2. There are no other taxable income items or deductions. Originally, (10 years earlier) when the options were granted, the company reported compensation expense of $1,000. Using a 25% tax rate, the original compensation expense resulted in the creation of a deferred tax asset of $250.

In 2017, the company's tax deduction for stock options is $8 per share X 1,000, yielding a taxable loss of $8,000.

Using a 25% tax rate, the tax deduction of $8,000 is worth a total tax benefit of $2,000. In 2017, AZX would record the tax benefit as follows (assuming the company has sufficient taxable income in two prior years to effect a carryback):

Cash/Tax refund receivable↑	2,000	
*Current tax expense↓		2,000

Reported as operating cash flow.

In the absence of a carryback, the tax refund would, instead, be replaced with a reduction in the current year's income taxes payable.

The $8,000 tax deduction exceeds the $1,000 of compensation expense originally recorded. As a result, a deferred tax asset (25% of $1,000) originally recorded gets reversed:

Deferred tax expense↑	250	
Deferred tax asset↓		250

The estimated tax benefit that is reported in operating cash flow should be subtracted from operating cash flow as it is not a recurring source of cash flow.

Consider the BC Software example below. The tax benefit from stock options is included in operating cash flow, included in share-based compensation expense and deferred tax expense.

BC SOFTWARE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2017	2016	2015
		(In millions)	
Cash flows from operating activities:			
Net earnings	$ 238.1	$ 313.6	$ 215.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
In-process research and development	50.3	4.0	—
Depreciation and amortization	182.8	152.1	160.8
Deferred income tax provision (benefit)	3.1	(76.2)	22.0
Share-based compensation expense	82.0	66.6	41.6
Other	13.4	(3.3)	(8.2)
Changes in operating assets and liabilities, net of acquisitions:			
Trade accounts receivables	16.5	(21.0)	(11.7)
Trade finance receivables	(46.0)	109.1	(49.7)
Trade accounts payable	7.0	(7.3)	(32.4)
Finance payables	9.3	(34.6)	(27.4)
Deferred revenue	0.8	48.2	97.7
Other operating assets and liabilities	22.4	42.5	11.5
Net cash provided by operating activities	579.7	593.7	420.1
Cash flows from investing activities:			
Proceeds from maturities/sales of investments	194.2	728.7	961.3
Purchases of investments	(173.5)	(289.3)	(1,139.0)
Cash paid for acquisitions, net of cash acquired, and other investments	(783.7)	(114.8)	(145.2)
Capitalization of software development costs	(67.3)	(68.2)	(53.5)
Purchases of property and equipment	(28.0)	(38.4)	(33.7)
Other investing activities	6.4	3.4	4.2
Net cash provided by (used in) investing activities	(851.9)	221.4	(405.9)
Cash flows from financing activities:			
Treasury stock acquired	(330.0)	(579.6)	(555.0)
Repurchases of stock to satisfy employee tax withholding obligations	(16.2)	—	—
Proceeds from stock option exercises and other	125.9	148.0	230.2
Payments on debt and capital leases	(17.9)	(6.6)	(6.1)
Proceeds from issuance of long-term debt, net of debt issuance costs	295.6	—	—
Proceeds from sale leaseback transaction	—	—	291.9
Repayment of debt acquired	—	—	(5.0)
Net cash provided by (used in) financing activities	57.4	(438.2)	(44.0)
Effect of exchange rate changes on cash and cash equivalents	(50.2)	27.9	7.4
Net change in cash and cash equivalents	(265.0)	404.8	(22.4)
Cash and cash equivalents, beginning of year	1,288.3	883.5	905.9
Cash and cash equivalents, end of year	$ 1,023.3	$ 1,288.3	$ 883.5

A summary of our stock compensation activity for fiscal 2017 follows:

Stock Options	Shares (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In millions)
Outstanding as of March 31, 2016	18.8	$ 25	5	$ 164.0
Granted	5.1	37		
Assumed through BladeLogic acquisition	1.2	8		
Exercised	(5.1)	18		
Cancelled or expired	(2.9)	34		
Outstanding at March 31, 2017	17.1	$ 28	4	$ 126.5
Vested as of March 31, 2017 and expected to vest	15.4	$ 27	4	$ 118.8
Exercisable as of March 31, 2017	9.9	$ 25	4	$ 98.1

Note that 5.1 million shares were exercised during 2017 at an average exercise price of $18 per share. The average price per share of the company's stock during the year was $37 per share (refer to weighted average exercise price for granted options). The excess of the market price over the exercise price during the year was thus $19, which when multiplied by 5.1 million shares, equals a tax deduction of $96.9 million. Applying a 25% tax rate to this deduction indicates a total tax benefit of $24.2 million.

This entire tax benefit is now reported as an operating cash flow item and should be removed from operating cash flow in determining sustainable operating cash flow.

Operating Cash Flow Provided by Discontinued Operations

Income or loss from discontinued operations include two components - (a) operating income or loss from the discontinued segment and (b) a gain or loss on disposal.

The cash flows associated with these activities are reported in separate sections of the cash flow statement.

In the operating section of the cash flow statement - operating cash flow associated with operating income of the discontinued segment. That is, cash provided by operating activities includes cash provided by both continuing operations and the operating component of discontinued operations.

In the investing section of the cash flow statement - proceeds from disposal of the discontinued segment.

Disclosures of cash flows derived from discontinued operations are typically provided.

Make sure operating cash flow used in analysis excludes the effects of discontinued operations.

Target Corp.
Consolidated Statements of Cash Flows

(millions)	2016	2015	2014
Operating activities			
Net earnings / (loss)	$ 2,737	$ 3,363	$ (1,636)
Earnings / (losses) from discontinued operations, net of tax	68	42	(4,085)
Net earnings from continuing operations	2,669	3,321	2,449
Adjustments to reconcile net earnings to cash provided by operations:			
Depreciation and amortization	2,298	2,213	2,129
Share-based compensation expense	113	115	71
Deferred income taxes	41	(322)	7
Gain on sale	—	(620)	—
Loss on debt extinguishment	422	—	285
Noncash (gains) / losses and other, net	—	57	40
Changes in operating accounts:			
Inventory	293	(316)	(512)
Other assets	36	227	(115)
Accounts payable and accrued liabilities	(543)	579	803
Cash provided by operating activities—continuing operations	5,329	5,254	5,157
Cash provided by / (required for) operating activities—discontinued operations	107	704	(692)
Cash provided by operations	5,436	5,958	4,465
Investing activities			
Expenditures for property and equipment	(1,547)	(1,438)	(1,786)
Proceeds from disposal of property and equipment	46	28	95
Proceeds from sale of businesses	—	1,875	—
Cash paid for acquisitions, net of cash assumed	—	—	(20)
Other investments	28	24	106
Cash (required for) / provided by investing activities—continuing operations	(1,473)	489	(1,605)
Cash provided by / (required for) investing activities—discontinued operations	—	19	(321)
Cash (required for) / provided by investing activities	(1,473)	508	(1,926)
Financing activities			
Change in commercial paper, net	—	—	(80)
Additions to long-term debt	1,977	—	1,993
Reductions of long-term debt	(2,641)	(85)	(2,079)
Dividends paid	(1,348)	(1,362)	(1,205)
Repurchase of stock	(3,706)	(3,483)	(26)
Stock option exercises	221	300	373
Cash required for financing activities	(5,497)	(4,630)	(1,024)
Net (decrease) / increase in cash and cash equivalents	(1,534)	1,836	1,515
Cash and cash equivalents at beginning of period (a)	4,046	2,210	695
Cash and cash equivalents at end of period	$ 2,512	$ 4,046	$ 2,210

Scott's Miracle Gro, Inc.
Cash Flow from Discontinued Operations Reported in the Footnotes

THE SCOTTS MIRACLE-GRO COMPANY
Consolidated Statements of Cash Flows
(In millions)

	Year Ended September 30,		
	2017	**2016**	**2015**
OPERATING ACTIVITIES			
Net income	$ 218.8	$ 314.8	$ 158.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment, restructuring and other	1.2	0.2	4.3
Costs related to refinancing	—	2.2	—
Share-based compensation expense	25.2	15.6	13.2
Depreciation	55.1	53.8	51.4
Amortization	25.0	19.7	17.6
Deferred taxes	(17.4)	83.6	1.3
Gain on long-lived assets	(3.3)	(0.8)	—
Gain on sale / contribution of business	(31.7)	(131.2)	—
Equity in (income) loss and distributions from unconsolidated affiliates	32.6	(0.3)	—
Changes in assets and liabilities, net of acquired businesses:			
Accounts receivable	48.6	(29.8)	(12.5)
Inventories	3.6	(29.4)	(17.5)
Prepaid and other assets	(12.2)	(9.3)	1.8
Accounts payable	9.0	(45.3)	6.9
Other current liabilities	26.9	22.9	12.9
Restructuring	(8.7)	(7.3)	12.1
Other non-current items	(19.6)	(18.4)	(3.4)
Other, net	0.9	(3.6)	0.1
Net cash provided by operating activities	354.0	237.4	246.9
INVESTING ACTIVITIES			
Proceeds from sale of long-lived assets	5.7	2.4	5.5
Proceeds from sale of business, net of cash disposed of	180.3	—	—
Investments in property, plant and equipment	(69.6)	(58.3)	(61.7)
Investments in loans receivable	(29.7)	(90.0)	—
Cash contributed to TruGreen Joint Venture	—	(24.2)	—
Net distributions from unconsolidated affiliates	57.4	194.1	—
Investment in marketing and license agreement	—	—	(300.0)
Investments in acquired businesses, net of cash acquired	(121.7)	(158.4)	(180.2)
Net cash (used in) provided by investing activities	22.4	(134.4)	(536.4)

THE SCOTTS MIRACLE-GRO COMPANY (cont'd)
Consolidated Statements of Cash Flows

FINANCING ACTIVITIES			
Borrowings under revolving and bank lines of credit and term loans	1,449.3	2,069.1	1,836.0
Repayments under revolving and bank lines of credit and term loans	(1,618.3)	(2,150.4)	(1,458.0)
Proceeds from issuance of 5.250% Senior Notes	250.0	—	—
Proceeds from issuance of 6.000% Senior Notes	—	400.0	—
Repayment of 6.625% Senior Notes	—	(200.0)	—
Financing and issuance fees	(4.4)	(11.2)	(0.5)
Dividends paid	(120.3)	(116.6)	(111.3)
Distribution paid by AeroGrow to noncontrolling interest	(8.1)	—	—
Purchase of Common Shares	(246.0)	(130.8)	(14.8)
Payments on sellers notes	(28.7)	(2.8)	(1.5)
Excess tax benefits from share-based payment arrangements	7.9	5.8	4.7
Cash received from exercise of stock options	11.0	14.7	24.3
Net cash (used in) provided by financing activities	(307.6)	(122.2)	278.9
Effect of exchange rate changes on cash	1.6	(2.1)	(7.3)
Net increase (decrease) in cash and cash equivalents	70.4	(21.3)	(17.9)
Cash and cash equivalents at beginning of year excluding cash classified within assets held for sale	28.6	50.8	64.9
Cash and cash equivalents at beginning of year classified within assets held for sale	21.5	20.6	24.4
Cash and cash equivalents at beginning of year	50.1	71.4	89.3
Cash and cash equivalents at end of year	$ 120.5	$ 50.1	$ 71.4

From the Footnotes:

The Consolidated Statements of Cash Flows do not present the cash flows from discontinued operations separately from cash flows from continuing operations. Cash provided by (used in) operating activities related to discontinued operations totaled $(11.6) million , $18.8 million and $31.5 million for fiscal 2017, fiscal 2016 and fiscal 2015, respectively. Cash provided by (used in) investing activities related to discontinued operations totaled $148.1 million, $(5.3) million and $(32.5) million for fiscal 2017, fiscal 2016 and fiscal 2015, respectively.

The Earnings Quality Indicator (EQI)

Because earnings altered through creative accounting practices do not change operating cash flow, the relationship between earnings and cash flow can be used to detect creative accounting practices.

In particular, a ratio of adjusted cash flow from operations less adjusted income from continuing operations, all divided by revenue, or the Earnings Quality Indicator, (EQI), is sensitive to earnings changes that are not cash flow backed.

EQI = (CF – Income) / Revenue,

Where,

CF = adjusted cash flow from operations

Income = adjusted income from continuing operations

We speak here of adjusted cash flow from operations. This cash flow measure consists of cash provided by operations adjusted for nonrecurring and nonoperating cash flow items.

Income from continuing operations should also be adjusted for obvious, material nonrecurring items of income or expense.

The objective here is to surface income items that are not so obvious.

Using EQI

Once adjusted cash flow and income have been calculated, the EQI ratio can be computed.

Declines in the EQI ratio will be an indication that earnings are growing faster than operating cash flow.

Closer examination should be made to determine why that is the case.

It is possible that creative accounting steps are being taken to boost earnings temporarily.

A sudden increase in the ratio, caused by an increase in operating cash flow in excess of an increase in earnings, while of less concern, should also be examined.

Such a development may be the result of a concerted effort to manage earnings downward in an effort to store them for future periods.

Using the EQI Ratio (cont'd)

Operating cash flow is inherently more volatile than operating earnings. Accordingly, it should be expected that the adjusted cash flow-to-income ratio will vary around its general trend.

To discern broad movements, it may be necessary to compare the ratio for a current period with the mean or average ratio calculated over two or three previous periods.

The number of periods used depends on the volatility of the company's operating earnings and cash flow and the number of periods of data available.

Understanding EQI

EQI is a measure of what can be termed "excess cash margin."

It is calculated as net cash margin (operating cash flow / revenue) less net earnings margin (earnings / revenue).

Thus, it is the excess of net cash margin over net earnings margin.

It is when the relationship of the two – net cash margin and net earnings margin – change that one must look more closely to determine why.

Stable EQI
Apple, Inc.

Apple, Inc., Operating Cash Flow, Revenue, Operating Earnings, and Calculation of EQI, Years Ending 2013 – 2017 (millions of dollars)

	2013	2014	2015	2016	2017
Obtained from statement of cash flows:					
Operating cash flow[a]	$53,666	$59,713	$81,266	$65,824	63,598
Obtained from income statement:					
Revenue (REV)	$170,910	$182,795	$233,715	$215,639	$229,234
Obtained from income statement:					
Operating earnings (OE)[b]:	$37,037	$39,510	$53,394	$45,687	$48,351
EQI:	9.7%	11.1%	11.9%	9.3%	6.7%

[a]No significant adjustments noted.
[b]No significant adjustments noted.

Operating cash flow growth matches growth in revenue and net income. EQI remains relatively stable, though rising and falling with no discernible pattern.

Rising EQI
Microsoft Corp.

Microsoft Corp., Operating Cash Flow, Revenue, Operating Earnings, and Calculation of EQI, Years Ending December 31, 2013 – 2017 (millions of dollars)

	2013	2014	2015	2016	2017
Obtained from statement of cash flows:					
Reported operating cash flow[a]	$28,833	$32,231	$29,080	$33,325	$39,507
Obtained from income statement:					
Revenue	$77,849	$86,833	$93,580	$85,530	$89,950
Obtained from income statement:					
Reported operating earnings[b]	$21,863	$22,074	$18,789	$16,798	$21,704
EQI:	9.0%	11.7%	11.0%	19.3%	19.8%

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[a]No significant adjustments were noted.
[b]Adjusted in 2015 for $6,596 tax-effected restructuring impairment and restructuring charge.

Declining EQI and a Closer Look
Target Corp.

Target Corp., Operating Cash Flow, Revenue, Operating Earnings, and EQI, Years Ending February 2001 - February 2007
(millions of dollars)

	2001	2002	2003	2004	2005	2006	2007
Obtained from statement of cash flows:							
Adjusted operating cash flow[a]	$2,134	$2,012	$1,590	$3,160	$3,808	$4,451	$4,862
(Increase) in accounts receivable	--	(1,193)	(2,194)	(744)	(209)	(244)	(226)
Obtained from income statement:							
Revenue	36,851	39,826	43,917	46,781	46,839	52,620	59,490
Obtained from income statement:							
Adjusted operating earnings[a]	$1,264	$1,368	$1,654	$1,841	$1,885	$2,408	$2,787
EQI:	2.36%	1.62%	-.15%	2.82%	4.11%	3.88%	3.49%

[a]No significant adjustments were noted.
[b]Increase in company's credit card receivables was biggest factor explaining year-to-year changes in operating cash flow.

Note that EQI was 2.36% in the year ended February 3, 2001, which was the year before it introduced its own credit card. During the year in which its card was introduced, the year ended February 2, 2002, accounts receivable increased $1,193 million, creating a drag on operating cash flow. As a result, as earnings increased to $1,368 million that year from $1,264 million in 2001, operating cash flow declined to $2,012 million from $2,134 million in 2001. EQI declined to 1.62% in 2002 from 2.36% in 2001.

During the year ended February 1, 2003, accounts receivable increased another $2,194 million. That year, operating cash flow declined even more and EQI became negative, dropping to -.15%. Clearly the trend was not a promising one.

The increase in credit card receivables slowed to $744 million in the year ended January 31, 2004. As a result, that year the company generated significantly more operating cash flow, $3,160 million, than it had in any recent reporting period. EQI also improved to 2.82%, higher than it was in the year ended February 3, 2001, before the company introduced its own credit card.

In subsequent years, the significant increases in receivables noted earlier did not continue and EQI stabilized – to-date, problems have been averted.

EQI Steadies
Target Corp. (cont'd)

Target Corp., Operating Cash Flow, Revenue, Operating Earnings, and Calculation of EQI, Years Ending January 2015 – 2017 (millions of dollars)

	2015	2016	2017
Obtained from statement of cash flows:			
Operating cash flow[b]	$5,157	$5,254	$5,329
Obtained from income statement:			
Revenue (REV)	$72,618	$73,785	$69,495
Obtained from income statement:			
Operating earnings (OE)[b]:	$2,449	$3,321	$2,669
EQI:	3.7%	2.6%	3.8%

[a]No significant adjustments noted.
[b]No significant adjustments noted.

EQI Surfaces Problems
Krispy Kreme Doughnuts, Inc.

Operating Cash Flow, Revenue, Income from Continuing Operations and EQI: Krispy Kreme Doughnuts, Inc., Years Ending February 1, 2001, 2002, 2003, and 2004 (thousands of dollars)

	2001	2002	2003	2004
Obtained from statement of cash flows:				
Reported cash flow provided by continuing operations	$ 32,112	$ 36,210	$51,036	$95,553
Adjustments:				
Tax benefit from stock options	(595)	(9,772)	(13,795)	(42,806)
Adjusted cash flow provided by Operations	31,517	26,438	37,241	52,747
Obtained from income statement:				
Revenue	300,715	394,354	491,549	665,592
Reported income from Continuing operations	$14,725	$26,378	$33,478	$57,087
Adjustment:				
Arbitration award after tax			5,445	(315)
Adjusted income from contin. Ops	$14,725	$26,378	$38,923	$56,772
EQI	5.6%	.02%	-.3%	-.6%

For Krispy Kreme, the year ended February 1, 2004 was the last one before an internal investigation and an SEC inquiry were begun into how transactions with affiliates were handled.

While operating cash flow didn't turn negative, it is clear from the above presentation that operating cash flow was not growing as fast as income from continuing operations.

The balance sheet showed a build up of accounts receivable and notes receivable from affiliates.

EQI Surfaces Problems (cont'd)
Xerox Corp.

Operating Cash Flow, Operating Income, and Calculation of EQI: Xerox Corp., Years Ending December 31, 1994, 1995, 1996, 1997, 1998, and 1999 (thousands of dollars)

	1994	1995	1996	1997	1998	1999
Obtained from statement of cash flows:						
Reported cash flow provided by continuing operations	$ 479	$ 599	$ 324	$ 472	($1,165)	$1,224
Adjustments:						
Cash payments related to restructuring - net of tax[a]	254	199	118		199	262
	(423 x .6)	(331 x .6)	(197 x .6)		(332 x .6)	(437 x .6)
Proceeds from securitization of finance receivables[b]						(1,495)
Adjusted cash flow provided (used) by continuing operations	$ 733	$ 798	$ 442	$ 472	($ 966)	($ 9)
Obtained from income statement:						
Revenue	15,084	16,588	17,378	18,144	19,447	19,228
Reported income from Continuing operations	$ 794	$1,174	$1,206	$1,452	$585	$1,424
Adjustments:						
Restructuring charge and asset impairment - net of tax[a]					919	
					(1,531 x .6)	
Inventory charge - net of tax[a]					68	
					(113 x .6)	
Gain on affiliate sales of stock - net of tax[a]			(7)			
			(11 x .6)			
Adjusted income from continuing operations	$ 794	$1,174	$1,199	$1,452	$1,572	$1,424
EQI:	-.4%	-2.3%	-4.4%	-5.4%	-13.1%	-7.5%

Xerox Corp.

Xerox Corp. has been singled out by the SEC for premature revenue recognition.

Before filing its financial statements with the Commission for the year ended December 31, 2000, the Company was forced to restate results for 1998 and 1999.

Xerox conceded that, ". . . it had 'misapplied' a range of accepted accounting rules, including some related to its huge copier-leasing business."

Evidence of creative accounting practices is evident from the deteriorating EQI seen for the Company.

EQI Surfaces Problems (Cont'd)
Enron Corp.

Operating Cash Flow, Operating Income, and Calculation of EQI: Enron Corp., Years Ending December 31, 1996, 1997, 1998, 1999, 2000, and 1st 6 months of 2001 (millions of dollars)

	1996	1997	1998	1999	2000	6Mo 2001
Obtained from statement of cash flows:						
Reported cash flow provided by continuing operations	$ 884	$ 211	$ 1,640	$1,228	$4,779	($1,337)
Adjustments:						
Increase in customer deposits					(1,881)	
Increase in A/P days					(4,365)	
Unexplained "other"					(1,113)	
Net (proceeds) from sale, cost to purchase investments	192	(31)	(713)	(1,390)	(543)	(304)
Adjusted cash flow provided (used) by continuing operations	$ 1,076	$ 180	$ 927	($ 162)	$(3,123)	($1,641)
Obtained from income statement:						
Revenue	$13,289	$20,273	$31,260	$40,112	$100,789	$100,189
Reported income from Continuing operations	$584	$105	$703	$1,024	$979	$810
Adjustments:						
Contract restructure charge*		405				
Impairment of assets*			196	265		--
Adjusted income from continuing operations	$584	$510	$899	$1,289	$979	$810
*After tax.						
EQI:	3.7%	-1.63%	.09%	-3.62%	-4.07%	-2.5%

Aggressive income reporting by Enron resulting in a continuing decline in the EQI.

EQI Surfaces Problems (Cont'd)
Beazer Homes USA, Inc.

Beazer Homes USA, Inc., Operating Cash Flow, Revenue, Operating Earnings, and Calculation of EQI, Years Ending Sept. 2002 – 2006.
(millions of dollars)

	2002	2003	2004	2005	2006
Obtained from statement of cash flows:					
Adjusted operating cash flow[a]	59.5	(41.0)	(73.7)	(84.3)	(304.5)
Obtained from income statement:					
Revenue (REV)	2,641	3,117	3,907	4,995	5,462
Obtained from income statement:					
Adjusted operating earnings (OE)[b]	122.6	302.7	236	392.7	388.8
EQI:	-2.39%	-11.03%	-7.93%	-9.55%	-12.69%
Stock price	20	20	35	35	80 40…low of <5

[a]Adjustments for tax benefits from stock options were immaterial.
[b]2003 adjusted for goodwill impairment of $130.

EQI has Improved
Beazer Homes USA, Inc. (cont'd)

Beazer Homes USA, Inc., Operating Cash Flow, Revenue, Operating Earnings, and Calculation of EQI, Years Ending Sept. 2015 – 2017 (millions of dollars)

	2015	2016	2017
Obtained from statement of cash flows:			
Operating cash flow[a]	$-81.0	$163.0	$95.9
Obtained from income statement:			
Revenue (REV)	$1,627	$1,822	$1,916
Operating earnings (OE)[b]:	$14.3	$5.2	$32.0
EQI:	-5.9%	8.7%	3.3%

[a]No significant adjustments noted.
[b]Adjusted for nonrecurring credit to income tax expense in 2015.

Where's the Cash Flow?
EQI at Decker's Turns Negative
Stock Price Suffers

Operating Cash Flow, Operating Income, and Calculation of EQI: Decker's, Inc., Years Ending December 31, 2007, 2008, 2009, 2010, and 2011
(millions of dollars)

	2007	2008	2009	2010	2011
Obtained from statement of cash flows:					
Reported cash flow provided by continuing operations	$ 61	$ 53	$185	$140	$ 30
Obtained from income statement:					
Revenue	$449	$689	$813	$1,001	$1,377
Reported income from Continuing operations	$66	$74	$117	$158	$199
EQI:	-1.11%	-3.05%	8.36%	-1.80%	-12.27%

Within 30 days of the company's release of its 2011 results the company's stock price declined by 33%.