

Michael Keane
Vice President and Chief Financial Officer

March 28, 2007



Mr. Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

LETTER OF COMMENT NO. 8

**Re: Exposure Draft of the Proposed FASB Staff Position No. FIN 48-a,
“Definition of Settlement in FASB Interpretation No. 48”**

**FILED ELECTRONICALLY (director@fasb.org) AND
SENT VIA U.S. Mail**



Dear Mr. Herz:

We appreciate the opportunity to comment on the Financial Accounting Standards Board’s Exposure Draft of the Proposed FASB Staff Position No. FIN 48-a, “Definition of Settlement in FASB Interpretation No. 48” (the “Proposed FSP”).

Since the Board began its deliberations regarding uncertain tax positions, we have been very concerned with the overall approach and methodology under consideration. We summarized our comments, concerns and suggestions in our September 1, 2005 comment letter to the Board regarding the initial exposure draft of the proposed Interpretation, FIN No. 48, “Accounting for Uncertain Tax Positions”.

In our September 1, 2005 letter, we indicated the proposed approach, recognition and derecognition thresholds and measurement methodology would result in systemic and material overstatement of corporate tax obligations. We also felt the proposed approach would be overly complex and difficult to apply in practice. The Board made substantial improvements in the final Interpretation issued in June 2006 which have reduced, but not eliminated, the extent and likelihood of significant overstatements. The Proposed FSP could aid in further mitigating significant overstatements. While we agree with the overall intent and direction of the guidance in the Proposed FSP, we are concerned with aspects of the proposal which would result in unnecessary delays in the recognition of tax benefits.

The Proposed FSP would treat a tax position as “effectively settled”, permitting the taxpayer to de-recognize related FIN 48 liabilities, when all of the following conditions are present:

- The taxing authority has completed its examination procedures including all appeals and administrative reviews that the taxing authority is required or expected to perform for the tax position.
- The enterprise does not intend to appeal or litigate any aspect of the tax position for the completed examination.

- Based on the taxing authority's widely understood policy, the enterprise considers it "highly unlikely" that the taxing authority would subsequently examine or re-examine any aspect of the tax position included in the completed examination, presuming the taxing authority has full knowledge of all relevant information.

We think the caveat in the last criteria, presuming the taxing authority has full knowledge of all relevant information, seems unnecessary and inconsistent with the purpose of the amendment: permitting enterprises to de-recognize liabilities where the taxing authority has effectively settled tax issues as a result of the completion of the tax examination for a given year. This caveat would no longer seem appropriate or necessary in situations in which further tax payments or assessments no longer seem probable.

We are also somewhat confused by the requirement that taxpayers conclude examination or re-examination of the tax position is "highly unlikely." This term is not otherwise used in authoritative literature and we do not think it would be widely understood. Accordingly, we think this threshold would be difficult to implement and may result in confusion and diversity in practice.

In our experience, the IRS generally only reopens a closed claim where: there is evidence of fraud, malfeasance, collusion, concealment, or misrepresentation; the closed case involves a clearly defined, substantial error based upon an established Service position; or there are other circumstances which indicate failure to reopen the case would be a serious administrative omission. As a result, we recommend where the enterprise considers it "probable" the taxing authority would not examine or re-examine any aspect of the tax position, the liability should be de-recognized. We think this threshold would be the most representationally faithful approach and one which is consistent with the underlying economics. This threshold would likewise be more nearly consistent with that used in evaluating other liabilities for inclusion in the financial statements. Furthermore, this threshold is widely used and understood by the corporate, audit and investor community and would, therefore, be more easily implemented. Accordingly, we suggest the third criterion (paragraph 5(c) of the Proposed FSP) be replaced with the following:

Based on the taxing authority's widely understood policy, the enterprise considers it "probable" that the taxing authority would not subsequently examine or re-examine any aspect of the tax position included in the completed examination.

Thank you for your consideration of our views. We would be glad to meet with you or your staff to discuss this matter further at your convenience. If you have any questions or would like further clarification, please contact Dennis Dooley at (248) 372-3306 or me at (310) 615-4821.

March 28, 2007
Page 3

Sincerely,

Michael E. Keane
Vice President and Chief Financial Officer

cc: Members of the Financial Accounting Standards Board

**2100 East Grand Avenue
El Segundo, California 90245
Phone: 310.615.4821 Fax: 310.322.9767**