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Cash-Flow Reporting Practices for Sale and Leaseback Transactions

Executive Summary

In a sale and leaseback transaction an asset is sold and simultaneously leased back. As a result, the seller/lessee relinquishes ownership but not possession of the asset in question, which can be most any long-lived asset, including real estate or equipment. Some firms have even sold and leased back rights to motion picture films.

While there is general agreement on the reporting treatment for sales entailing leasebacks that are capital leases, reporting practices differ for sales proceeds when the underlying leasebacks are accounted for as operating leases. Some companies include sale proceeds in the investing section of the statement of cash flows, while others report them as financing cash flow. As a result, calculations of free cash flow that use net capital expenditures, or gross capital expenditures net of the proceeds from asset dispositions, may not be comparable across firms. In this study, we examine and highlight cashflow reporting practices for proceeds from sale and leasebacks for a broad cross-section of firms from various industries.

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Georgia Tech Financial Analysis Lab
The Georgia Tech Financial Analysis Lab conducts unbiased stock market research. Unbiased information is vital to effective investment decision-making. Accordingly, we think that independent research organizations, such as our own, have an important role to play in providing information to market participants.

Because our Lab is housed within a university, all of our research reports have an educational quality, as they are designed to impart knowledge and understanding to those who read them. Our focus is on issues that we believe will be of interest to a large segment of stock market participants. Depending on the issue, we may focus our attention on individual companies, groups of companies, or on large segments of the market at large.

A recurring theme in our work is the identification of reporting practices that give investors a misleading signal, whether positive or negative, of corporate earning power. We define earning power as the ability to generate a sustainable stream of earnings that is backed by cash flow. Accordingly, our research may look into reporting practices that affect either earnings or cash flow, or both. At times our research may look at stock prices generally, though from a fundamental and not technical point of view.

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Companies Named In This Report

Introduction
Sale and leaseback transactions offer a popular method for financing capital asset purchases. The purchases of such assets, including property, plant and equipment, are an important component of free cash flow; a performance metric that has recently gained increased attention. The purpose of this report is to examine the accounting treatment for sale and leasebacks and highlight how that treatment can significantly alter calculations of free cash flow.

Accounting for Sales with Leasebacks
The accounting for sale and leaseback transactions is guided by SFAS No. 13, as amended by SFAS No. 28, "Accounting for Sales with Leasebacks." A sale and leaseback transaction is a transaction where the owner of the property (seller-lessee) sells the property and simultaneously leases it back from its new owner. The seller relinquishes ownership but not possession. Such transactions are common and are generally viewed as financing vehicles. For example, many firms consider sale and leaseback transactions to be a source of financing or as a means of paying down existing debt.

Losses on sale-leaseback transactions are recognized immediately. However, recognition of gains on sale-leaseback transactions are treated differently depending on the size of the leaseback:

Type of Leaseback	Treatment of Gain
Minor Leaseback (leaseback has a present value of 10% or less of fair market value of asset)	Full recognition
More than *minor*, but less than *substantially all* (leaseback has present value greater than 10%, but less than 90% of fair market value of asset)	Partial recognition, for the excess of the gain over the present value of the leaseback. Gain equal to or less than the present value of the leaseback is deferred and recognized over the term of the lease.
Sales w/ *substantially all* Leaseback (leaseback has present value of 90% or more of fair market value of asset)	Full deferral and recognition over the term of the lease

A minor leaseback is treated as a sale with full recognition of any realized gain at the time of sale. For a leaseback that is greater than a minor leaseback, the portion of any gain recognized immediately is the excess of the realized gain over the present value of the leaseback. The amount of any realized gain up to the present value of the leaseback is deferred and recognized over the leaseback term.

For financial reporting purposes, a sale with an associated leaseback that results in deferral of at least some portion of a realized gain is viewed, in substance, as a financing transaction. A sufficiently large portion of the asset sold was leased back, in effect, financed such that at least a portion of the realized gain was deferred. The notion is that the seller has effectively borrowed against its equity in the asset that has been sold.

As with any lease, a leaseback can be structured as a capital lease or an operating lease. A capital lease would resemble a financing transaction, with the liability carried on the balance sheet. An operating lease instead would be considered an off balance sheet financing, where the minimum payments would be disclosed in the notes.

Reporting Practices

When leasebacks entail capital leases, generally accepted accounting principles (GAAP) are clear on the cash flow classification to be afforded the sales proceeds – they are reported as financing cash flow. However, when leasebacks are structured as operating leases, GAAP is less clear on the reporting afforded the sales proceeds.

Investing treatment for a minor leaseback entailing no gain deferral would appear to capture the substance of the transaction. For sale and leaseback transactions involving some amount of gain deferral, GAAP does not explicitly state, but only implies that the proceeds received should be reported as financing cash flow. That is, gain deferral and use of the present value of the leaseback, effectively the financing component of the transaction, to determine the amount of any gain to defer, are consistent with the view that the transaction is of more of a financing event.

Beyond GAAP, the fact that the seller has given up ownership but not possession of the asset in question attests to the underlying financing nature of the transaction. Like a borrowing, the transaction has been used to generate funds and not to dispose of an asset. However, there are companies who report sale and leaseback transactions involving operating leases and deferred gains as investing events. Such treatment can improve one important measure of financial performance, free cash flow.

Investing Activity: Effects on Free Cash Flow

As instances of alleged cases of accounting fraud and earnings management have increased in recent years there has been a "discovery" of sorts of free cash flow by investors, analysts and the financial press. Such a development is interesting because certainly free cash flow is not new. It has always been of primary importance to investors for purposes of valuation. References to the metric have grown markedly in recent years and it is now being used in new and varied ways.

A common definition of free cash flow is cash provided by operating activities less capital expenditures. Here capital expenditures are typically calculated as net capital expenditures, that is, gross capital expenditures less proceeds from dispositions, because gross capital expenditures tend to overstate incremental capital spending. However, if the proceeds from sale and leaseback transactions were included with asset dispositions in investing cash flow, net capital expenditures would be understated. The net effect would be to overstate free cash flow.

True asset dispositions, where ownership and possession are relinquished, reduce a firm's productive capacity. The proceeds from such events can be used to replace it. However, when assets are sold and simultaneously leased back under operating leases, productive capacity is maintained. Here, capital spending is not needed to replace that capacity and accordingly, any proceeds from sale should not be netted against capital expenditures.

The Study

Our study looked at non-financial firms who reported proceeds from sale and leaseback transactions in their filings with the SEC. Our scope focused on those transactions that gave rise to deferred gains indicating that the present value of the leaseback was sufficiently large so as to be considered a financing event. We then examined these transactions to determine whether the related sales proceeds were reported in the investing or financing sections of the statement of cash flows.

The Results

The sample of sale and leasebacks accounted for as capital leases where sales proceeds are reported as financing activities in the Statement of Cash Flows are listed in Exhibit 1. Sale and leasebacks accounted for as operating leases where the sales proceeds are reported as financing activities are listed in Exhibit 2, and those where sales proceeds are reported as investing activities are listed in Exhibit 3. We found many more operating leases where the proceeds were reported as investing rather than financing cash flow. As such, the results reiterate the importance of understanding the treatment afforded these transactions by investors who utilize free cash flow in analysis.

Exhibit 1: Sale and Leaseback (Capital Lease) Proceeds Reported in Financing Activities of the Statement of Cash Flows

Company	Fiscal YE	Leaseback Asset(s)	Sale Proceeds
Advanced Micro Devices	12/28/03	Machinery and equipment	244,647,000 [1]
Bertuccis	12/31/03	Restaurant properties	8,977,000 [1, 3]
Dayton Superior	12/31/02	Forklift fleet	2,258,000 [1, 3]
Eaco Corp	01/01/03	Restaurant properties	3,000,000 [1, 3]
Newport Corp	12/31/03	Facility	1,953,000 [1]
Nextel Communications	12/31/00	Switch equipment	280,000,000 [2]
Star Scientific Inc.	12/31/02	Tobacco barns	3,339,477 [2]

1 – Net proceeds, as reported in the Statement of Cash Flows

2 – Net proceeds, as reported in the Notes to the Financial Statements

3 – Portion was capital lease and portion was operating lease

NOTE: In all sale-leaseback transactions presented, some portion of the gain resulting from the transaction was deferred.

Exhibit 2: Sale and Leaseback (Operating Lease) Proceeds Reported in Financing Activities of the Statement of Cash Flows

Company	Fiscal YE	Leaseback Asset(s)	Sale Proceeds
Ingles Markets	09/27/03	Equipment	498,937 [1]
JetBlue Airways	12/31/03	Multiple aircrafts	265,200,000 [1]
Mandalay Resort Group	01/31/02	Equipment	130,500,000 [1]
Northwest Airlines	12/31/02	Aircraft	136,000,000 [1]
O'Charley's Inc.	12/28/03	Multiple restaurant properties	59,097,000 [1]
SouthWest Airlines	12/31/96	Multiple aircrafts	330,000,000 [1]
World Airways	12/31/01	Aircraft engines	17,505,000 [1]

1 – Net proceeds, as reported in the Statement of Cash Flows

NOTE: In all sale-leaseback transactions presented, some portion of the gain resulting from the transaction was deferred.

Exhibit 3: Sale and Leaseback (Operating Lease) Proceeds Reported in Investing Activities of the Statement of Cash Flows

Company	Fiscal YE	Leaseback Asset(s)	Sale Proceeds
AAR Corp.	05/31/04	Facility	13,991,000 [1]
ADE Corp	04/30/04	Headquarters	10,100,000 [2]
Air Products & Chemicals	09/30/01	Cryogenic vessel equipment	301,900,000 [2]
AirTran Airways	12/31/03	Aircraft	See Note [3]
AMC Entertainment	04/02/98	Various theaters	283,800,000 [1]
Apogee Enterprises	02/28/04	Building & production equipment	4,000,000 [2]
Applied Extrusion Technologies	09/30/02	Property and equipment	18,225,000 [1]
Buffets Inc.	07/02/03	Multiple restaurant properties	26,117,000 [1]
Carmax Inc.	02/28/04	Multiple superstore properties	107,000,000 [2]
Cinemark USA	12/31/98	Theater properties	145,400,000 [2]
CKE Restaurants	01/31/02	Multiple restaurant properties	16,494,000 [2]
Cole National Corp	02/02/02	Lab and distribution facility	5,700,000 [2]
CVS Corp	12/29/01	Distribution centers	323,300,000 [1]
Dave & Busters	02/03/02	Restaurant property & headquarters	18,474,000 [1]
Discount Auto Parts	05/29/01	Properties	59,731,000 [1]
Friendly Ice Cream Corp	12/30/01	Multiple properties	33,700,000 [2]
Frontier Airlines	03/31/04	Aircraft	12,306,000 [2]
Garden Fresh Restaurant	09/30/03	One restaurant property	3,097,000 [1]
Krispy Kreme [4]	08/01/04	Multiple store locations	17,300,000 [2]
Macromedia Inc.	03/31/02	Office building	22,125,000 [1]
Max & Erma's Restaurants	10/29/00	Multiple restaurant properties	19,800,000 [2]
McGraw-Hill Companies	12/31/03	Headquarters	382,100,000 [2]
Michaels Stores	02/02/02	Distribution centers	26,886,000 [1]
Roadhouse Grill Inc.	04/25/04	Headquarters	2,600,000 [2]
Stake & Shake	09/26/01	Multiple properties	22,558,541 [2]
Timco Aviation Services	12/31/02	Real estate and fixtures	2,246,000 [1]
TruServ Corp	12/31/02	Distribution centers	121,438,000 [2]
Tweeter Home Entertainment	09/30/03	Multiple retail properties & equipment	12,551,118 [1]
Wilson the Leather Experts	02/01/03	Headquarters	12,546,000 [1]
WorldWide Restaurant Concepts	04/30/03	Restaurant property	1,600,000 [2]

1 – Net proceeds, as reported in the Statement of Cash Flows

2 – Net proceeds, as reported in the Notes to the Financial Statements

3 – Total sale and leaseback proceeds not determinable

4 – Quarter ending, 10Q Filing

NOTE: In all sale-leaseback transactions presented, some portion of the gain resulting from the transaction was deferred. Refer to Exhibit 7 for free cash flow amounts calculated with and without the proceeds from the sale and leaseback.

Our results indicate considerable inconsistency in reporting practices. A number of companies reported sale and leaseback transactions as investing even though a deferred gain was reported. We noted that companies reporting sale and leaseback transactions clustered around certain industries, such as airlines and restaurants, and around transaction types, such as the leaseback of aircraft and restaurant properties. However, when a similar asset was leased back in a particular industry, we found inconsistency in the treatment of sale and leasebacks accounted for as operating leases. Exhibits 4, 5, and 6 show a sample of comparable transactions that were reported differently by companies in the same industry.

Exhibit 4: Sale and Leaseback of Aircraft/Aircraft Engines

Proceeds Reported as Investing Cash Flow	Proceeds Reported as Financing Cash Flow
AirTran Airways	JetBlue Airways
Frontier Airlines	Northwest Airlines
	SouthWest Airlines
	World Airways

Exhibit 5: Sale and Leaseback of Restaurant Properties

Proceeds Reported as Investing Cash Flow	Proceeds Reported as Financing Cash Flow
Buffets Inc.	O'Charley's Inc.
CKE Restaurants	
Dave & Busters	
Friendly Ice Cream Corp	
Garden Fresh Restaurant	
Krispy Kreme	
Max & Erma's Restaurants, Inc.	
Steak & Shake	
WorldWide Restaurant Concepts	

Exhibit 6: Sale and Leaseback of Retail Facilities/Equipment or Distribution Facilities

Proceeds Reported as Investing Cash Flow	Proceeds Reported as Financing Cash Flow
Carmax Inc.	Ingles Markets
Cole National Corp	
Discount Auto Parts	
Michaels Stores	
Tweeter Home Entertainment	

In addition, confounding calculations of free cash flow, we observed that many companies do not separate the proceeds from sale-leaseback transactions from other sales and dispositions of property and equipment. This has particular importance for investors as this reporting practice increases the difficulty in isolating such transactions for analysis purposes. Exhibit 8 in the appendix shows various excerpts from the 10Ks of the companies mentioned in this report who disclosed sale and leaseback transactions separately on the statement of cash flows. Other companies only disclosed the sale and leaseback transaction in the notes to the financial statements. Sample excerpts of those companies who did not report sale-leaseback transactions on the face of the statement of cash flows are listed in the Appendix-Exhibit 9. Many of these companies did include the details of the transaction in the discussion of investing or financing activities in the notes and occasionally even mentioned that the sale-leaseback proceeds were included in the "proceeds from sales of property and equipment". However, there are other companies who did not describe where on the statement of cash flows the transaction was reported, in which case an investor would have to assume that the proceeds from the sale and leaseback transaction were included in a line item on the statement of cash flows relating to proceeds from the sale or disposal of property and equipment.

Regarding the use of sale and leaseback proceeds, sale proceeds from the transactions in Exhibit 1, 2, and 3, where identifiable, were used for some combination of debt reduction, supplementing working capital, or capital expenditures. The majority of the companies listed used the sales proceeds to "pay borrowings under credit facilities", to pay off existing mortgages, or to retire bonds. Alternative uses found were to "finance new store development" and to "finance retail stores". We found that the use of sale proceeds did not explain their cash flow classification. For example, similar companies, O'Charley's Inc. and Krispy Kreme, had the same source of funds (leaseback of store locations) and the same use (pay borrowings under credit facility), yet O'Charley's reported their proceeds as Financing Activities and Krispy Kreme reported their proceeds as Investing Activities.

Significance to Free Cash Flow

In an effort to measure the potential significance of sale and leaseback proceeds to free cash flow, we calculated two measures of free cash flow for firms reporting sale and leaseback proceeds as investing cash. The first measure calculated free cash flow as operating cash flow less capital expenditures computed net of the proceeds from asset dispositions including sale and leaseback transactions classified as investing cash flow. The second measure calculated free cash flow as operating cash flow less capital expenditures computed net of proceeds from asset dispositions excluding the sale and leaseback proceeds. The results are presented in Exhibit 7.

As can be seen in the Exhibit, the inclusion of proceeds from sale and leaseback transactions can drastically improve free cash flow. In some instances, such as Max & Erma's, CVS Corp, Carmax, and AMC Entertainment, after the exclusion of the proceeds from sale and leaseback transactions, free cash flow declined from a positive amount to a negative amount.

We, of course, are not saying that the firms included in Exhibit 7 necessarily advocate the inclusion of the proceeds from sale and leaseback transactions in free cash flow. However, all of the firms listed here reported proceeds from sales and leasebacks as investing cash flow. Accordingly, the risk that an analyst might include those proceeds in a calculation of free cash flow, boosting it at times by significant amounts, is increased.

We should, however, make one other clarification. If a firm routinely purchases assets and then uses sale transactions with operating leasebacks to finance them, operating cash flow and free cash flow will adequately reflect payments made on the firm's operating leases. This treatment should capture sufficiently the cost of the assets being used in operations and provide a meaningful measure of free cash flow. Netting the sales proceeds from capital expenditures would be appropriate here. As an example, many airlines could be included in this group. However, we do point out that this exception should not apply to isolated sale and leaseback transactions or in cases where the number or size of sale and leaseback transactions are increased above recent trend levels.

Exhibit 7: Adjusted Free Cash Flow Calculations for Transactions identified in Exhibit 3

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

Exhibit 7: Adjusted Free Cash Flow Calculations for Transactions identified in Exhibit 3 (continued)

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
Tweeter Home Entertainment	09/30/03	10,306,721	(11,577,678)	(1,270,957)	12,551,118 [1]	(13,822,075)
Wilson the Leather Experts	02/01/03	(37,330,000)	3,792,000	(33,538,000)	12,546,000 [1]	(46,084,000)
WorldWide Restaurant Concepts	04/30/03	21,434,000	(14,431,000)	7,003,000	1,600,000 [2]	5,403,000

1 – Net proceeds, as reported in the Statement of Cash Flows

2 – Net proceeds, as reported in the Notes to the Financial Statements

3 – Total sale and leaseback proceeds not determinable

4 – Quarter ending, 10Q Filing

NOTE: In all sale-leaseback transactions presented, some portion of the gain resulting from the transaction was deferred, suggesting the transactions were of a financing nature.

Brackets ( ) indicate a use of cash. No brackets indicate a source of cash.

Free Cash Flow = Operating Cash Flow – Net Capital Expenditures

Net Capital Expenditures = Gross Capital Expenditures – Proceeds from Dispositions

Conclusion

From our results, we can conclude that there is a lack of consistency in the classification of the proceeds received from sale and leaseback transactions. While a financing treatment for the proceeds from sale and leaseback transactions would appear to be more consistent with the substance of such transactions, often such proceeds are reported as investing cash flow. When free cash flow is calculated using capital expenditures net of dispositions, care should be taken to exclude proceeds from sale and leasebacks. Unlike other assets sales where ownership and possession are given up, sale and leasebacks do not entail a relinquishment of possession, and accordingly, are not true asset dispositions.

Accounting standard setters may wish to take note of the divergence in treatment of the proceeds from sale and leasebacks. At a minimum, requirements for prominent disclosure of the proceeds from asset dispositions related to sale and leasebacks on the statement of cash flows would be helpful to users of financial statements.

Appendix

Exhibits 8 and 9 present the selected representative examples of reporting practices illustrating where and how within the financial statements and notes the proceeds from sale and leaseback transactions were reported.

Exhibit 8: Companies disclosing sale and leaseback transactions separately on the Statement of Cash Flows

JetBlue Airways Corp.
Form 10-K for the year ending 12/31/03 (Filing date 02/11/04)
From the Statement of Cash Flows:

CASH FLOWS FROM FINANCING ACTIVITIES
Proceeds from:

	2003	2002	2001
Aircraft sale and leaseback transactions	265,200	150,000	72,000

Ingles Markets Inc.
Form 10-K for the year ending 09/27/03 (Filing date 12/22/03)
From the Statement of Cash Flows:

Cash Flows From Financing Activities:

	2003	2002	2001
Proceeds from sale/leaseback transactions	498,937	1,318,257	1,554,124

O'Charley's Inc.
Form 10-K for the year ending 12/28/03 (Filing date 03/12/04)
From the Statement of Cash Flows:

Cash Flows from Financing Activities:

	2003	2002	2001
Proceeds from sale and lease-back transactions	59,097	—	—

Southwest Airlines Co.
Form 10-K for the year ending 12/31/97 (Filing date 03/19/98)
From the Statement of Cash Flows:

CASH FLOWS FROM FINANCING ACTIVITIES:

	1997	1996	1995
Proceeds from aircraft sale and leaseback transactions	--	330,000	321,650

World Airways Inc.
Form 10-K for the year ending 12/31/02 (Filing date 03/27/03)
From the Statement of Cash Flows:

Cash flows from financing activities:

	2002	2001	2000
Proceeds of sale/leaseback transactions	—	17,505	6,100

Tweeter Home Entertainment Group, Inc.
Form 10-K for the year ending 09/30/03 (Filing date 12/12/03)
From the Statement of Cash Flows:

CASH FLOWS FROM INVESTING ACTIVITIES:	2001	2002	2003
Purchase of property and equipment	(47,572,530)	(54,599,895)	(24,188,284)
Proceeds from sale-leaseback transaction, net of fees	—	13,827,121	12,551,118
Proceeds from sale of property and equipment	—	25,150	59,488

Dave & Buster's, Inc.
Form 10-K for the year ending 02/01/04 (Filing date 04/14/04)
From the Statement of Cash Flows:

Cash flows from investing activities:	2004	2003	2002
Capital expenditures	(24,292)	(21,720)	(49,761)
Business acquisition	(3,600)	—	—
Proceeds from sales of property and equipment	471	750	474
Proceeds from sales/leasebacks	—	—	18,474

AMC Entertainment, Inc.
Form 10-K for the year ending 04/01/04 (Filing date 06/23/04)
From the Statement of Cash Flows:

Cash flows from investing activities:	2004	2003	2002
Capital expenditures	(95,011)	(100,932)	(82,762)
Proceeds from sale/leasebacks	63,911	43,665	7,486

Exhibit 9: Companies disclosing sale and leaseback transactions in "Proceeds from sale of property and equipment" on the Statement of Cash Flows

Frontier Airlines, Inc.
Form 10-K for the year ending 04/25/04 (Filing date 03/31/04)
From the Statement of Cash Flows:

Cash flows from investing activities:

	2004	2003	2002
(Increase) decrease in aircraft lease and purchase deposits, net	(6,445,617)	12,405,471	(17,483,332)
(Increase) decrease in restricted investments	2,443,500	1,176,700	1,137,700
Proceeds from the sale of property and equipment	341,435	29,750,000	---
Capital expenditures	(134,650,799)	(238,667,511)	(118,182,990)

From the Notes:

Cash used in investing activities for the year ended March 31, 2004 was $138,311,000…..Additionally, we completed a sale-leaseback transaction on one of our purchased aircraft that was delivered to us in September 2003, generating cash proceeds of approximately $4,374,000 from the sale and the return of the pre-delivery payments relating to the purchase commitment. We agreed to lease the aircraft over a 12-year term.

Krispy Kreme Doughnuts, Inc.
Form 10-Q for the period ending 08/01/04 (Filing date 09/10/04)
From the Statement of Cash Flows:

Cash Flow from Investing Activities:

	8/3/2003	8/1/2004
Purchase of property and equipment	(27,449)	(38,954)
Proceeds from disposal of property and equipment	—	17,525
Acquisition of franchise markets, net of cash acquired	(102,230)	—
Purchases of investments	(6,000)	—
Proceeds from investments	33,136	—
Issuance of notes receivable	(2,856)	(3,631)
Collection of notes receivable	38	576
Investments in unconsolidated joint ventures	(3,147)	(663)
(Increase) decrease in other assets	(1,957)	150

From the Notes:

In July 2004, Glazed Investments completed a sale-leaseback transaction related to six store locations. The transaction included the sale of the land, buildings and improvements associated with the stores for total proceeds of $17,300,000. Each location will be leased under an operating lease with a term of twenty years with the option to terminate the lease, if the franchise agreement for the location is not renewed by the Company, with six months written notice after fifteen years. ……… The gain on the sale of the property, net of transaction costs, totaled $550,000. The gain was deferred and will be amortized over the minimum term of the related leases.

Roadhouse Grill, Inc..
Form 10-K for the year ending 04/25/04 (Filing date 08/10/04)
From the Statement of Cash Flows:

Cash flows from investing activities:

	2004	2003	2002
Proceeds from sales of property and equipment	4,502	782	—
Purchases of property and equipment	(1,570)	(2,194)	(2,619)

From the Notes:

On August 6, 2004, we closed a transaction with Sovereign Roadhouse LLC, a wholly-owned subsidiary of Sovereign Investment Company, ("Sovereign") involving the sale and leaseback of eleven restaurant properties that we had previously owned. The sale price for the eleven properties was $21.8 million. The properties are being leased from Sovereign under lease agreements that extend for 20 years and include four five-year renewal options…..In December 2003, the Company completed a sale and leaseback transaction relating to its corporate headquarters building. Gross proceeds from the sale were $3.0 million……The deferred gain realized on the sale of $0.2 million is being recognized over the life of the lease.

Cash provided by investing activities during fiscal year 2004 was $2.9 million, compared to $1.4 million used during fiscal year 2003. Cash provided by investing activities during fiscal year 2004 included the proceeds from sales of property and equipment, offset to some extent by purchases of property, plant and equipment. Cash used in investing activities in fiscal year 2003 consisted primarily of purchases of property, plant and equipment, offset to some extent by proceeds from sales of property and equipment. The proceeds from sales of property and equipment in fiscal 2004 primarily relates to the sale of a restaurant leasehold interest in July 2003, the sale/leaseback of our corporate headquarters building in December 2003 and the sale of one restaurant that was sold in April 2004.

Airtran Holdings, Inc.
Form 10-K for the year ending 12/31/03 (Filing date 03/12/04)
From the Statement of Cash Flows:

Investing activities:

	2004	2003	2002
Purchases of property and equipment	(20,802)	(13,986)	(31,223)
Refund (payment) of aircraft purchase deposits	(44,447)	20,984	(13,252)
Proceeds from disposal of equipment	---	640	13,297

From the Notes:

Forty-one of the B717 leases are the result of sale/leaseback transactions. Deferred gains from these transactions are being amortized over the terms of the leases. At December 31, 2003 and 2002, unamortized deferred gains were $71.1 million and $73.7 million, respectively. See Note 6. We also lease facilities from local airport authorities or other carriers, as well as office space under operating leases with terms ranging from one month to 12 years.