



NEWS

NEARLY ONE-THIRD OF MAJOR PUBLIC COMPANIES FAIL TO FULLY COMPLY WITH KEY TAX RESERVE DISCLOSURE REQUIREMENTS

Inadequate and insufficient disclosure invites SEC scrutiny, say Seigel & Associates

The current economic situation, heightened by the “rescue” legislation, will likely stimulate greater demands for transparency, independence and integrity in financial reporting

NEW YORK – (October 14, 2008) – Many large public companies – including 29 percent of the Fortune 100 -- are still not meeting the disclosure requirements for tax reserves required by the Financial Accounting Standards Board rule known as FIN 48, according to a combined analysis of first and second-quarter SEC filings by Seigel & Associates LLC, the tax reserve advisory firm founded by former IRS Chief Counsel Stuart E. Seigel.

The latest quarterly survey, *The Seigel Tax Reserve Report*, reveals that 30 percent of the 670 companies analyzed did not fully meet the disclosure requirements. 43% of the 69 covered companies that filed annual reports with the SEC in the second quarter failed to fully comply with FIN 48 disclosure mandates.

“Poor, deficient or inconsistent FIN 48 disclosures could attract the attention of The Securities and Exchange Commission and lead to an inquiry,” said J. Brad McGee, President of Seigel & Associates. “This undue scrutiny from the SEC can be avoided when companies focus on compliance. And it can be done without disclosing confidential or proprietary information.”

“Noncompliance with FIN 48 disclosure mandates during the first half of this first year of reporting remains relatively high,” the *Report* says.

The greatest area of noncompliance remains the “12-month look-forward rule,” where one of every eight companies provided no disclosure, McGee said. This requirement concerns reporting of tax positions that have a reasonable possibility of material variation over the next 12 months.

Further, McGee noted that a review of SEC comments reveals that FIN 48 inquiries fall into two broad categories:

1. financial statement disclosures and their consistency with FIN 48 disclosure requirements, and
2. whether a company correctly complied with FIN 48 or its disclosure requirements.

“The SEC is clearly taking notice of these disclosures,” McGee added. “Companies need to take note that the fallout from the current economic crisis and legislative action is almost certain to lead to increasing demands for greater transparency, independence, and integrity in financial reporting, suggesting strongly that careful attention be paid now and in the days ahead to incorporating best corporate practices in the preparation and presentation of financial statements and related data.”

The analysis covers the filings of 670 public companies with revenues in excess of \$2 billion that filed annual reports with the SEC in the first two quarters of 2008. Another 230 or so of these larger public companies will file during the third and fourth quarters and will be included in subsequent issues of *The Seigel Tax Reserve Report*.

In conducting its analysis, the firm employs a qualitative measure, the “Seigel Index,” derived from a company-by-company assessment of whether the minimum disclosure requirements were met – and the degree of compliance with those mandates. To attain a score of 100 (denoting satisfactory compliance), a company must report basic information correctly in six different areas.

The aggregate Seigel Index for the 670 companies analyzed is 91.5.

About Seigel & Associates LLC

Seigel & Associates, LLC, founded in 2006, provides expert, independent, and objective advice and counsel to corporate management as to the adequacy and reasonableness of a company’s tax reserves. The firm maintains a website at www.seigel-llc.com at which copies of the *Report* are available.

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