

FAIRCHILD CORP  
Form 10-Q  
November 30, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the Quarterly Period Ended June 30, 2007  
Commission File Number 1-6560**

**THE FAIRCHILD CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State of incorporation or organization)

**34-0728587**

(I.R.S. Employer Identification No.)

**1750 Tysons Boulevard, Suite 1400, McLean, VA 22102**

(Address of principal executive offices)

**(703) 478-5800**

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days:  Yes  No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer:

Large accelerated file  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

On October 31, 2007, the number of shares outstanding of each of the Registrant's classes of common stock was as follows:

**Title of Class**

<b>Class A Common Stock, \$0.10 Par Value</b>	<b>22,604,835</b>
<b>Class B Common Stock, \$0.10 Par Value</b>	<b>2,621,338</b>

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**THE FAIRCHILD CORPORATION INDEX TO QUARTERLY REPORT ON FORM 10-Q  
FOR THE PERIOD ENDED JUNE 30, 2007**

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All references in this Quarterly Report on Form 10-Q to the terms “we,” “our,” “us,” the “Company” and “Fairchild” mean The Fairchild Corporation and its subsidiaries. All references to “fiscal” in connection with a year shall mean the 12 months ended September 30<sup>th</sup>.

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

**ASSETS**

	June 30, 2007 (Unaudited)	September 30, 2006
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 10,428	\$ 8,541
Short-term investments - unrestricted	5,363	50,510
Short-term investments - restricted	49,379	6,002
Accounts receivable-trade, less allowances of \$1,226 and \$1,083	18,226	16,927
Finished goods inventories, less reserves of \$16,054 and \$15,223	137,162	106,718
Prepaid expenses and other current assets	14,195	10,795
<b>Total Current Assets</b>	<b>234,753</b>	<b>199,493</b>
Property, plant and equipment, net of accumulated depreciation of \$31,143 and \$24,989	61,846	58,698
Goodwill	12,346	14,128
Amortizable intangible assets, net of accumulated amortization of \$2,105 and \$1,673	867	1,279
Unamortizable intangible assets	33,037	30,969
Prepaid pension assets	34,648	33,373
Deferred loan fees	1,710	3,170
Long-term investments - unrestricted	3,499	4,370
Long-term investments - restricted	22,051	60,949
Notes receivable	3,255	5,396
Other assets	4,391	3,304
<b>TOTAL ASSETS</b>	<b>\$ 412,403</b>	<b>\$ 415,129</b>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	June 30, 2007 (Unaudited)	September 30, 2006
<b><u>CURRENT LIABILITIES:</u></b>		
Bank notes payable and current maturities of long-term debt	\$ 47,699	\$ 25,492
Accounts payable	51,634	26,325
Accrued liabilities:		
Salaries, wages and commissions	10,501	10,044
Insurance	7,394	7,357
Interest	1,437	1,810
Other accrued liabilities	27,776	28,304
Income taxes	1,167	2,314
Current liabilities of discontinued operations	-	62
<b>Total Current Liabilities</b>	<b>147,608</b>	<b>101,708</b>
<b><u>LONG-TERM LIABILITIES:</u></b>		
Long-term debt, less current maturities	27,554	65,450
Other long-term liabilities	31,511	31,750
Pension liabilities	40,905	40,622
Retiree health care liabilities	24,196	26,008
Deferred tax liability	4,811	4,530
Noncurrent income taxes	7,582	39,923
Noncurrent liabilities of discontinued operations	16,120	16,120
<b>TOTAL LIABILITIES</b>	<b>300,287</b>	<b>326,111</b>
Commitments and contingencies		
<b><u>STOCKHOLDERS' EQUITY:</u></b>		
Class A common stock, \$0.10 par value; 40,000 shares authorized, 30,480 shares issued and 22,605 shares outstanding; entitled to one vote per share	3,047	3,047
Class B common stock, \$0.10 par value; 20,000 shares authorized, 2,621 shares issued and outstanding; entitled to ten votes per share	262	262
Paid-in capital	232,632	232,612
Treasury stock, at cost, 7,875 shares of Class A common stock	(76,352)	(76,352)
Retained earnings (accumulated deficit)	4,404	(15,680)
Notes due from stockholders	(43)	(43)
Accumulated other comprehensive loss	(51,834)	(54,828)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>112,116</b>	<b>89,018</b>
	<b>\$ 412,403</b>	<b>\$ 415,129</b>

**TOTAL LIABILITIES AND STOCKHOLDERS'  
EQUITY**

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
	(Restated)		(Restated)	
<b>REVENUE:</b>				
Net sales	\$ 117,928	\$ 105,578	\$ 259,088	\$ 219,615
Rental revenue	237	237	712	713
	<b>118,165</b>	<b>105,815</b>	<b>259,800</b>	<b>220,328</b>
<b>COSTS AND EXPENSES:</b>				
Cost of goods sold	65,893	61,376	153,171	132,440
Cost of rental revenue	56	60	174	167
Selling, general & administrative expense	49,629	44,367	126,387	108,848
Other income, net	(595)	(2,527)	(4,460)	(3,811)
Amortization of intangibles	145	135	423	391
	115,128	103,411	275,695	238,035
<b>OPERATING INCOME (LOSS)</b>	<b>3,037</b>	<b>2,404</b>	<b>(15,895)</b>	<b>(17,707)</b>
Interest expense	(2,780)	(2,788)	(11,927)	(7,546)
Interest income	729	616	2,479	1,575
Net interest expense	(2,051)	(2,172)	(9,448)	(5,971)
Investment income	3,536	396	5,467	1,713
Increase in fair market value of interest rate contract	-	-	-	836
Income (loss) from continuing operations before taxes	4,522	628	(19,876)	(21,129)
Income tax provision	(110)	(1,580)	(766)	(1,562)
Equity in earnings (loss) of affiliates, net	-	1	89	(42)
Income (loss) from continuing operations	4,412	(951)	(20,553)	(22,733)
Loss from discontinued operations, net	(1,934)	(1,192)	(4,678)	(982)
Gain on disposal of discontinued operations, net	-	1,000	45,315	13,500
<b>NET EARNINGS (LOSS)</b>	<b>\$ 2,478</b>	<b>\$ (1,143)</b>	<b>\$ 20,084</b>	<b>\$ (10,215)</b>
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:</b>				
Income (loss) from continuing operations	\$ 0.18	\$ (0.04)	\$ (0.81)	\$ (0.90)
Loss from discontinued operations, net	(0.08)	(0.05)	(0.19)	(0.04)
Gain on disposal of discontinued operations, net	-	0.04	1.80	0.54
<b>NET EARNINGS (LOSS) PER SHARE</b>	<b>\$ 0.10</b>	<b>\$ (0.05)</b>	<b>\$ 0.80</b>	<b>\$ (0.40)</b>
<b>Weighted average shares outstanding:</b>				
Basic and Diluted	25,226	25,226	25,226	25,226

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.



**THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Nine Months Ended June 30,	
	2007	2006
	(Unaudited)	
	(Restated)	
<u>Cash flows from operating activities:</u>		
Net earnings (loss)	\$ 20,084	\$ (10,215)
Depreciation and amortization	6,311	5,057
Non-cash interest expense	3,217	815
Gain on collection of note receivable	(2,110)	-
Stock compensation expense	20	133
Increase in fair market value of interest rate contract	-	(836)
Equity in (earnings) loss of affiliates, net of distributions	(89)	42
Gain on sale of investments	(4,491)	(902)
Net proceeds from the sale of trading securities	42,797	11,147
Changes in operating assets and liabilities	(11,210)	(8,462)
Non-cash charges and working capital changes of discontinued operations	(45,378)	(13,003)
Net cash provided by (used for) operating activities	9,151	(16,224)
<u>Cash flows from investing activities:</u>		
Purchases of property, plant and equipment	(7,760)	(5,924)
Change in available-for-sale investment securities, net	1,802	(12,207)
Equity investment in affiliates	-	(44)
Proceeds from sale of equity investment in affiliates	95	-
Net proceeds from the sale of discontinued operations	12,500	13,850
Collections of notes receivable	4,048	548
Net cash used for investing activities of discontinued operations	-	(98)
Net cash provided by (used for) investing activities	10,685	(3,875)
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of debt	14,703	49,503
Debt repayments	(32,935)	(25,613)
Payment of interest rate contract	-	(4,310)
Payment of financing fees	(25)	(2,400)
Loan repayments from stockholders	-	66
Net cash used for financing activities of discontinued operations	-	(504)
Net cash provided by (used for) financing activities	(18,257)	16,742
Net change in cash and cash equivalents	1,579	(3,357)
Effect of exchange rate changes on cash	308	370
Cash and cash equivalents, beginning of the period	8,541	12,582
Cash and cash equivalents, end of the period	\$ 10,428	\$ 9,595

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.



**THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The condensed consolidated balance sheet as of June 30, 2007, and the condensed consolidated statements of operations, and cash flows for the periods ended June 30, 2007 and 2006 have been prepared by us, without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows at June 30, 2007, and for all periods presented, have been made. These adjustments include certain reclassifications, which reflect the sale of our shopping center and the sale of the remaining operations of a landfill development partnership as discontinued operations. These adjustments also include restatement adjustments. For additional discussion regarding the nature and impact of the restatement adjustments, see Note 2 of these condensed consolidated financial statements as well as Notes 2 and 18 of our audited financial statements in our 2006 Annual Report on Form 10-K.

During the three months ended December 31, 2006, we corrected the carrying value of the liability associated with our arrangement to acquire the remaining 7.5% of PoloExpress. As a result of this correction, we recognized \$1.3 million of interest expense during the nine months ended June 30, 2007 that pertained to periods prior to October 1, 2006. Management believes the impact of this error is immaterial in each applicable prior period.

The condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and the Securities and Exchange Commission's instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our 2006 Annual Report on Form 10-K. The results of operations for the periods ended June 30, 2007 and 2006 are not necessarily indicative of the operating results for the full year. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation.

The financial position and operating results of our foreign operations are consolidated using, as the functional currency, the local currencies of the countries in which they are located. The balance sheet accounts are translated at exchange rates in effect at the end of the period, and the statement of operations accounts are translated at average exchange rates during the period. The resulting translation gains and losses are included as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included in our statement of operations in the period in which they occur.

**Liquidity**

The Company has experienced losses from operations and negative operating cash flows in each of the years for the three years ended September 30, 2006. Although the Company believes its financial resources are sufficient to fund its operations and other contractual obligations in the near term, our cash needs could be substantially higher than projected. The Company believes it has sufficient financial flexibility to meet the near term liquidity needs, including the potential to refinance existing debt, borrow additional funds, sell non-core assets, or reduce operational cash disbursements. However, external factors could impact our ability to execute these alternatives.

**Stock-Based Compensation**

We adopted Statement of Financial Accounting Standards (“SFAS”) No. 123R, *Share Based Payment*, on October 1, 2005, and accordingly, we recognized a nominal amount of compensation cost in the three and nine months ended June 30, 2007 and 2006. No tax benefit and deferred tax asset were recognized on the compensation cost because our tax position reflects a full domestic valuation allowance against deferred tax assets.

Our employee stock option plan expired in April 2006 and our non-employee directors’ stock option plan expired in September 2006. As of June 30, 2007, outstanding stock options on Class A common stock reflected only those stock options granted prior to the expiration of the plans. During the nine months ended June 30, 2006, the Company granted 3,000 stock options at a weighted-average exercise price of \$2.46 per share. On June 30, 2007, we had outstanding stock option awards of 317,917, of which 227,917 stock option awards were vested. No new stock option plans are being proposed at this time.

**Comprehensive Income (Loss)**

The activity in other comprehensive income (loss), net of tax, was:

(In thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Net earnings (loss)	\$ 2,478	\$ (1,143)	\$ 20,084	\$ (10,215)
Unrealized periodic holding gains (losses) on available-for-sale securities	(3,378)	888	(1,431)	4,005
Foreign currency translation adjustments	607	1,927	4,425	1,993
Unrealized holding gains on derivatives	-	-	-	299
Other comprehensive income (loss)	\$ (293)	\$ 1,672	\$ 23,078	\$ (3,918)

The components of accumulated other comprehensive loss were:

(In thousands)	June 30, 2007	September 30, 2006
Unrealized holding gains on available-for-sale securities	\$ 4,128	\$ 5,559
Foreign currency translation adjustments	6,061	1,636
Excess of additional pension liability over unrecognized prior service costs	(62,023)	(62,023)
Accumulated other comprehensive loss	\$ (51,834)	\$ (54,828)

**Recently Issued Accounting Pronouncements**

In February 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, permitting entities to elect fair value measurement for many financial instruments and certain other items. Unrealized gains and losses on designated items will be recognized in earnings at each subsequent period. SFAS No. 159 also establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value. We are required to adopt this statement in October 2008 and we are currently evaluating the potential impact to our future results of operations, financial position, and cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. We are required to adopt this statement in October 2008 and we are currently evaluating the potential impact to our future results of operations, financial position, and cash flows.

In September 2006, the FASB published SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Pension Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires an employer to recognize in its statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. Employers must also recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period. SFAS No. 158 is effective for fiscal years ending after December 15, 2006 and will be adopted by the Company as of September 30, 2007. If SFAS No. 158 was adopted as of September 30, 2006, the Company would have recorded a reduction in prepaid assets and other assets of \$18.1 million and \$1.5 million, respectively, a decrease in pension liabilities of \$2.6 million, and a charge to other comprehensive income (loss) of \$17.0 million.

In July 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN No. 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. We are required to adopt FIN No. 48 effective October 1, 2007. The cumulative effect of initially adopting FIN No. 48 will be recorded as an adjustment to opening retained earnings in the year of adoption and will be presented separately. Only tax positions that meet the more likely than not recognition threshold at the effective date may be recognized upon adoption of FIN No. 48. We are currently evaluating the impact this new standard will have on our future results of operations, financial position, and cash flows.

## 2.

**RESTATEMENT**

During the course of our fiscal 2006 audit and based upon discussions with our external independent registered public accounting firm and management, the Audit Committee of our Board of Directors concluded in January 2007 that our previously filed interim and audited consolidated financial statements should not be relied upon since they were prepared applying accounting practices in accounting for income taxes that did not comply with U.S. generally accepted accounting principles (“GAAP”) and, consequently, we would restate our consolidated financial statements. During the course of management’s review of the Company’s historical financial statements, additional errors were identified. The consolidated financial statements for the three and nine months ended June 30, 2006 included in this Quarterly Report on Form 10-Q include restatement adjustments that we have categorized into the following three areas: our accounting for income taxes; our accounting for commitments and contingencies; and our accounting for long-term investments.

As a result of the restatement, originally reported net loss for the three and nine months ended June 30, 2006 decreased by \$0.2 million (\$0.00 per share) and \$1.3 million (\$0.06 per share), respectively. The cumulative impact of errors related to periods prior to September 30, 2005 of \$1.4 million has been reflected as an increase to beginning retained earnings as of October 1, 2005.

The following table summarizes the impact of the restatement adjustments on net loss and basic and diluted earnings (loss) per share for the three and nine months ended June 30, 2006.

(In thousands, except per share data)	Three Months Ended June 30, 2006	Nine Months Ended June 30, 2006
Net loss, as previously reported	\$ (1,293)	\$ (11,536)
Restatement adjustments for:		
Commitments and contingencies	1,390	1,477
Long-term investments	191	1,169
Income taxes	(1,431)	(1,325)
Net loss, as restated	\$ (1,143)	\$ (10,215)
Basic and diluted earnings (loss) per share:		
As previously reported	\$ (0.05)	\$ (0.46)
Total impact of restatement adjustments	0.00	0.06
As restated	\$ (0.05)	\$ (0.40)

**Financial Statement Impact***Statement of Operations Impact*

The following table displays the cumulative impact of the restatement on the condensed consolidated statements of operations for the three months ended June 30, 2006.

(In thousands)	Restatement Adjustments for:						As Restated
	As Previously Reported	Income Taxes	Commitments and Contingencies	Long-term Investments	Total Restatement Adjustments		
Revenues	\$ 105,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,815
Cost of revenues	61,436	-	-	-	-	-	61,436
Other operating expenses	41,965	-	10	-	10	10	41,975
Operating income	2,414	-	(10)	-	(10)	(10)	2,404
Net interest expense	(2,230)	-	-	58	58	58	(2,172)
Investment income	396	-	-	-	-	-	396
Income from continuing operations before taxes	580	-	(10)	58	48	48	628
Income tax provision	(149)	(1,431)	-	-	(1,431)	(1,431)	(1,580)
Equity in earnings (loss) of affiliates, net	(132)	-	-	133	133	133	1
Income (loss) from continuing operations	299	(1,431)	(10)	191	(1,250)	(1,250)	(951)
Loss from discontinued operations, net	(2,592)	-	1,400	-	1,400	1,400	(1,192)
Gain on disposal of discontinued operations, net	1,000	-	-	-	-	-	1,000
Net loss	\$ (1,293)	\$ (1,431)	\$ 1,390	\$ 191	\$ 150	\$ 150	\$ (1,143)

The following table displays the cumulative impact of the restatement on the condensed consolidated statements of operations for the nine months ended June 30, 2006.

(In thousands)	Restatement Adjustments for:						As Restated
	As Previously Reported (a)	Income Taxes	Commitments and Contingencies	Long-term Investments	Total Restatement Adjustments		
Revenues	\$ 220,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,328
Cost of revenues	132,607	-	-	-	-	-	132,607
Other operating expenses	105,348	-	80	-	80	80	105,428
Operating loss	(17,627)	-	(80)	-	(80)	(80)	(17,707)
Net interest expense	(6,208)	-	157	80	237	237	(5,971)
Investment income	1,713	-	-	-	-	-	1,713
Increase in fair market value of interest rate contract	836	-	-	-	-	-	836
Loss from continuing operations before taxes	(21,286)	-	77	80	157	157	(21,129)



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Income tax provision	(237)	(1,325)	-	-	(1,325)	(1,562)
Equity in loss of affiliates, net	(1,131)	-	-	1,089	1,089	(42)
Loss from continuing operations	(22,654)	(1,325)	77	1,169	(79)	(22,733)
Loss from discontinued operations, net	(2,382)	-	1,400	-	1,400	(982)
Gain on disposal of discontinued operations, net	13,500	-	-	-	-	13,500
Net loss	\$ (11,536)	\$ (1,325)	\$ 1,477	\$ 1,169	\$ 1,321	\$ (10,215)

*Certain previously reported balances have been reclassified to conform to the current condensed (a) consolidated balance sheet presentation, including reclassification to discontinued operations of those assets and liabilities related to a landfill development partnership, sold in April 2006, and Airport Plaza shopping center, sold in July 2006.*

### 3. CASH EQUIVALENTS AND INVESTMENTS

Management determines the appropriate classification of our investments at the time of acquisition and reevaluates such determination at each balance sheet date. Cash equivalents and investments consist primarily of money market accounts, investments in United States government securities, investment grade corporate bonds, credit derivative obligations, and equity securities. Investments in common stock of public corporations are recorded at fair market value and classified as trading securities or available-for-sale securities. Investments in credit derivative obligations, characterized as other securities, are recorded at fair market value and classified as available-for-sale securities. Other long-term investments do not have readily determinable fair values and consist primarily of investments in preferred and common shares of private companies and limited partnerships.

Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported as a separate component of stockholders' equity, except to the extent that unrealized losses are deemed to be other than temporary, in which case such unrealized losses are reflected in earnings. Trading securities are carried at fair value, with unrealized holding gains and losses included in investment income. Investments in equity securities and limited partnerships that do not have readily determinable fair values are stated at cost and are categorized as other investments. Realized gains and losses are determined using the specific identification method based on the trade date of a transaction. Interest on government and corporate obligations are accrued at the balance sheet date. Investments in companies in which ownership interests range from 20 to 50 percent are accounted for using the equity method.

A summary of the cash equivalents and investments held by us follows:

(In thousands)	June 30, 2007		September 30, 2006	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Cash and cash equivalents:				
Money market and other cash funds	\$ 10,428	\$ 10,428	\$ 8,541	\$ 8,541
Total cash and cash equivalents	10,428	10,428	8,541	8,541
Short-term investments:				
Money market funds – available-for-sale – restricted	11,517	11,517	6,002	6,002
Corporate bonds – available-for-sale – restricted	23,768	23,846	-	-
Corporate bonds – trading securities	3,462	3,462	42,919	42,919
Equity securities – trading securities	122	122	2,459	2,459
Equity and equivalent securities – available-for-sale	1,779	825	5,132	825
Equity and equivalent securities – available-for-sale – restricted	14,094	12,202	-	-
Total short-term investments	54,742	51,974	56,512	52,205
Long-term investments:				
U.S. government securities – available-for-sale – restricted	-	-	512	512
Money market funds – available-for-sale – restricted	6,576	6,576	10,313	10,313
Corporate bonds – available-for-sale – restricted	9,464	9,464	28,934	29,326
Equity and equivalent securities – available-for-sale – restricted	6,011	4,652	9,275	