Notes to Consolidated Financial Statements (Continued)

In accordance with SFAS No. 142, goodwill amortization was discontinued as of January 1, 2002. The following adjusts reported income from continuing operations and basic and diluted earnings per share (EPS) from continuing operations to exclude goodwill amortization:

(In millions except per share amounts)	2001
Reported income from continuing operations	$ 2
Goodwill amortization, net of tax	305
Adjusted income from continuing operations	$ 307
Reported basic EPS from continuing operations	$0.01
Goodwill amortization, net of tax	0.86
Adjusted basic EPS from continuing operations	$0.87
Reported diluted EPS from continuing operations	$0.01
Goodwill amortization, net of tax	0.84
Adjusted diluted EPS from continuing operations	$0.85

The following adjusts reported net loss and basic and diluted loss per share to exclude goodwill amortization:

(In millions except per share amounts)	2001
Reported net loss	$ (755)
Goodwill amortization, net of tax	333
Adjusted net loss	$ (422)
Reported basic loss per share	$(2.12)
Goodwill amortization, net of tax	0.94
Adjusted basic loss per share	$(1.18)
Reported diluted loss per share	$(2.09)
Goodwill amortization, net of tax	0.92
Adjusted diluted loss per share	$(1.17)

Intangible assets subject to amortization consisted primarily of drawings and intellectual property totaling $59 million (net of $38 million of accumulated amortization) at December 31, 2003 and $27 million (net of $30 million of accumulated amortization) at December 31, 2002. Amortization expense is expected to approximate $11 million for each of the next five years.

In 2002, the Company adopted Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, upon indication of possible impairment, the Company evaluates the recoverability of held-for-use long-lived assets by measuring the carrying amount of the assets against the related estimated undiscounted future cash flows. When an evaluation indicates that the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset is adjusted to its estimated fair value. In order for long-lived assets to be considered held-for-disposal, the Company must have committed to a plan to dispose of the assets.

During the first half of 2001, the Company experienced a significant decrease in the volume of used commuter aircraft sales. An evaluation of commuter aircraft market conditions and the events of September 11, 2001 indicated the market weakness would continue into the foreseeable future. As a result, the Company completed an analysis of the estimated fair value of the various models of commuter aircraft and reduced the book value of commuter aircraft inventory and equipment leased to others accordingly. In addition, the Company adjusted the book value of notes receivable and established a reserve for off balance sheet receivables based on the Company's estimate of exposures on customer financed assets due to defaults, refinancing, and remarketing of these aircraft. As a result of these analyses, the Company recorded a charge of $693 million in the third quarter of 2001 which consisted of a reduction in inventory of $158 million, a reduction of equipment leased to others of $174 million, a reserve for notes receivable of $16 million, and a reserve for off balance sheet receivables of $345 million. The balance of this reserve was $361 million at December 31, 2001. In 2002, the Company utilized $121 million of this reserve, leaving a balance of $240 million at the time the Company bought back the remaining off balance sheet receivables, as described in Note H, Other Assets.

The Company also recorded a $52 million charge in the third quarter of 2001 related to a fleet of Starship aircraft. During the first three quarters of 2001, the Company had not sold any of these aircraft and recorded a charge to reduce the value of the aircraft to their estimated fair value. The charge consisted of a reduction in the value of aircraft in inventory of $31 million, a reduction in the value of equipment leased to others of $14 million, and a reserve of $7 million related to the Company's estimate of exposures on customer financed assets due to defaults, refinancing, and remarketing of these aircraft.

In connection with the buyback of the off balance sheet receivables, the Company recorded the long-term receivables at estimated fair value, which included an assessment of the value of the underlying aircraft. As a result of this assessment, the Company adjusted the value of certain underlying aircraft, including both commuter and Starship aircraft, some of which were written down to scrap value. There was no net income statement impact as a result of this activity.

COMPUTER SOFTWARE Internal use computer software is stated at cost less accumulated amortization and is amortized using the straight-line method over its estimated useful life, generally 10 years.

INVESTMENTS Investments, which are included in other assets, include equity ownership of 20 percent to 50 percent in unconsolidated affiliates and of less than 20 percent in other companies. Investments in unconsolidated affiliates are accounted for under the equity method. Investments in other companies with readily determinable market prices are stated at estimated fair value with unrealized gains and losses included in other comprehensive income. Other investments are stated at cost.